

27 1911
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FEARLESS - FORWARD LOOKING - FORTNIGHTLY

The **MAGAZINE** *@* **WALL STREET**

Vol. 19

OCTOBER 28, 1916

No. 2

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THE OUTLOOK

*The Public in the Market—Submarine Possibilities—The Election
—Business and Labor—New Stock Issues—Crops—
The Market Prospect*

WHILE the market has recovered from the sudden chill administered by the unexpected outcropping of the war in our own door-yard, and industrial stocks especially have shown a considerable renewal of public buying, there is less enthusiasm and less certainty as to what the future has in store for us. For this there are several good reasons.

Public Holds Many Stocks

THE most important of these reasons is found in the unusual quantity of stock certificates now lodged in the hands of the public, many of them being carried on margin. For example, on September 30, 55.6 per cent. of the entire amount of Steel common outstanding, was being carried by brokers and banking houses. This compares with 52.9% on June 30 and only a little over 50% three months previous.

The fact that over 50% of the \$508,000,000 of this stock outstanding is in the hands of brokerage houses is in itself an extraordinary circumstance, and with the amount still growing month by month it is evident that the market would be in a vulnerable position if any serious bad news should come along.

While this information is not available in such definite form in regard to other stocks, there is no doubt that the quantity of all the leading industrial favorites now being carried by brokers is very large. Even at the low prices of last summer, buying by permanent investors was not heavy in this class of stocks. The advance since then has been largely speculative; and there has undoubtedly been a continuation of the process—which may sometimes last for a long time—of shifting certificates from investment to speculative holders.

Submarine Question Not Dead

FEW can convince themselves that German submarine activity off our coast is over. The first effort in that direction was too easy to make it probable that others will not follow. Our Government made no protest, not even criticising the methods adopted to assure the safety of passengers and crews, although it is apparent that if President Wilson had been disposed to assume a critical attitude those methods were open to some objections. So far as Germany can be aware we are perfectly satisfied with this new development in submarine warfare.

It is not known that the Allies were able to locate the submarine that did the damage nor is it clear what steps they could take to prevent a repetition of

the incident at such a distance from their base of supplies. It is reported that Germany has for some time been building the large cruiser type of submarine in considerable numbers, evidently for some definite purpose. It would not be surprising, then, if German submarines should at any time become active along our coasts.

Election Uncertainties

RARELY has an election been so closely contested as this one. As this is written the current odds in Wall Street are reported at 10 to 9 in favor of Hughes. Some event might occur to tip the scale before election day, but in the absence of anything important enough to shift a considerable number of votes it is evident that this year we shall have to wait until the votes are counted before we can form any definite opinion as to the result.

This uncertainty does not tend to help the market. Not that the final result will work much change in investment conditions, for the country will be safe enough, doubtless, in the hands of either candidate, and by the same token either one is likely to make mistakes in the complicated conditions now to be faced; but in Wall Street's present mood a definite expectation of Hughes' election would afford the bulls a rallying cry which might permit renewed activity on a larger scale.

The theory of an after-election boom in case of Hughes' success is popular with some observers, but past events are never so stimulating to speculation as those which can be anticipated.

Industrial Conditions

BUSINESS continues at high tide and record-breaking figures have become so common as scarcely to occasion remark. The steel price average recently touched \$63.42 and is now about \$63, which represents an almost perpendicular rise from \$30 a year and a half ago. All the steel-producers are coining money at an unheard-of rate and so long as the war demand keeps up they will apparently continue to do so.

Pig iron is still a laggard compared with other metals, but is showing some strength. The supply of ore during the coming winter is causing anxiety. With the biggest car shortage ever recorded by the railroads, it is feared that the closing of lake navigation may bring an ore famine. That situation would cause a sharp jump in pig iron prices. In the past we have hardly ever succeeded in getting through a period of prosperity anything like the present one without a pig iron famine, such as carried the price to \$26 for No. 2 Southern at Cincinnati in both 1902 and 1907.

The production of iron and steel cannot advance rapidly from the present level because it is now running at capacity of plants and that cannot be increased very greatly without time for the development of far-reaching plans. Managers hesitate to lay such plans now because of the wholly exceptional and certainly temporary character of the demand from abroad. The same applies to the unfilled orders of the U. S. Steel Corporation—one of the most useful indications we have of coming business conditions. They are at high tide and so far as any one can see are likely to remain there while the war demand lasts, but they can scarcely rise much further owing to limitations of capacity.

Copper is back to 30 cents a pound, at which price all the copper companies are necessarily very prosperous. There has been a tremendous increase in the production of this metal, but on the other hand the demand for it must apparently continue for a time after the war ends, to replenish depleted stocks abroad. Even at home domestic users of copper are confining their purchases so far as possible to immediate needs.

The Labor Situation

THE rapid rise of wages causes employers much concern. It has not more than kept pace with the advance in the cost of living—in fact, if all employments are included, it has not kept up with the rise of other prices. But every one feels that our extraordinarily high prices must prove temporary and that wages will have to come down with prices in the end, and the reduction of wages is always a painful process.

Such conditions breed strikes, especially in lines of employment where wages have not risen as much as in some other lines. We can hardly hope to avoid a continuance of this situation. The Government's faint-hearted surrender to the railway trainmen has of course made matters all the worse for employers in general.

Doubtful Stock Issues

WE HAVE now arrived at that pitch of prosperity where it is possible to sell quantities of stocks in new enterprises direct to the public through advertising. The past history of enterprises promoted in this way has not been encouraging. The automobile industry, especially, has within the last year been put into the hands of the public on a tremendous scale. It seems as though almost every corporation making motor cars or anything connected with them has sold stock to the public at high prices, and various new companies are now being promoted. New mining and metal companies are another class where promoters are active.

Some of these new companies will succeed, and it is the knowledge of that fact that keeps the ball rolling so merrily; but if history repeats itself, as it has a way of doing even under apparently new conditions, for each one of these new companies that succeeds many will fail. But words of caution are probably thrown away. About once in ten years a new stratum of the public catches the buying fever and can learn only from personal experience.

Crop Conditions

IF IT were not for the flood of business coming to us from Europe the crop shortage this year would doubtless serve to check business activity. Yields per acre compared with 1915 are as follows for some of our principal crops:

	1916 Bushels	1915 Bushels		1916 Bushels	1915 Bushels
Wheat	11.9	16.9	Rice	37.6	36.1
Corn	25.0	28.2	Potatoes, white	82.8	95.5
Oats	30.3	37.8	Potatoes, sweet	92.1	103.3
Barley	23.7	32.0	Cotton, lbs.	156.3	170.3
Rye	15.3	17.2	Hay, tons	1.64	1.68

Only in the case of some minor crops is the yield a fair one.

The Market Prospect

WE SEE but little encouragement for the investor to take hold of securities at this level. Prices cannot be called low, by any stretch of the term.

With the market in its present condition, any bad news will be likely to result in a decline out of proportion to the importance of the news. The public has too many stocks to be safe company on the long side.

This is not to say, of course, that prices may not go higher. Very likely they may, for we are in an extraordinary period—but no period is so extraordinary as to warrant the investor in buying high with the expectation of selling higher. In such an operation the balance of probabilities is necessarily against the buyer. The very moment when there is no cloud in the sky is the time for conservatism.

Industrial Leaders Series



William C. Durant

William Crapo Durant

The Great Position He Has Created for Himself—An Interview with a New Industrial Leader—His Personality, Ideas and Ideals—Why He Works and What He has Accomplished

By BARNARD POWERS

ONE thing which impresses itself upon those who have the authority to observe and study men who are making the economic history of this country, is that their greatness hardly ever *protrudes*. Take a half a dozen great financial or industrial captains of the last decade, place them in a room with fifty other well appearing persons selected at random, and I defy anyone to pick out the leaders of men. John D. Rockefeller has the slow handshake and gentle drawl of a country parson; E. H. Harriman in repose suggested a studious professor of biology; Daniel Guggenheim might well pass as a prosperous dry-goods merchant. Talk with them and observe the complex and quick workings of their minds and it is different. The late J. P. Morgan was a striking exception—his dominant personality and intense force, expressed itself in his voice and was writ large on his features. But as a general rule big men appear big in the light of their deeds, and your true leader is almost never obsessed by the pride of power or achievement. The second assistant secretary may wear a big sword and a cocked hat, but his field marshal goes without decorations. Only those who are in doubt about their standing and abilities seek to bolster themselves against detraction by external evidences of power.

What Mr. Durant Has Done

William Crapo Durant has just claim to rank high among the industrial leaders of the twentieth century. When a man, who began his career as a mill-hand, has succeeded, at fifty-four years of age, in pushing the ball of fortune well beyond the hundred millions mark, when 40,000 fellow men depend upon him for their daily bread, when the gross sales of the companies he controls exceeds \$300,000,000 yearly, when he occupies and securely occupies the topmost pinnacle of the third largest manufacturing industry in this country, I believe that even the most exacting critic will be willing to concede that he is entitled to that often misused adjective "great."

The life story of the president of the General Motors Company has been "written up" times without number—how, in the earliest years of his business life, his constructive ability was shown in the industrial development of his home city, Flint, Michigan, how, as a young man, his ability to analyze business propositions, to construct, to create, to organize and to develop, brought about the establishing or reorganizing of a score of what are now among the largest and most successful manufacturing institutions in the country.

It is not for the purpose of this article to dwell upon the steps of Mr. Durant's progress except as they illustrate his personality—for the personality of William Crapo Durant is my theme. Much has been written about what Mr. Durant has done, but very little about the man himself. Ten years ago the rank and file of Wall Street had not heard of him and it was not until about a year ago, when it became known that his Chevrolet Company practically dominated the huge General Motors Company, that Mr. Durant came to be a national figure. Even now the question "Who is Durant?" is frequently heard in financial circles which are supposedly well informed, but the interrogation is usually meant to query not so much what he represents, but what manner of man he is, how he looks, works and plays.

Interviewing Mr. Durant

One who expects to obtain an interview with the president of the General Motors

thinnish as to hair, he does not readily fit into any of the usual classifications of men. He cannot be labeled, for he is distinctive in appearance as well as achievements. Place him in a room with the fifty men aforementioned and one might pick him out for a philosopher or an inventor, and not be far wrong, for he is both—and more. His forehead is the forehead of the student and analyst and his eyes the eyes of a business man. I asked him first about the bug-a-boo of the motor manufacturing world—the so-called "saturation point," i. e., that theoretical time yet to be reached when the output of the motor producing companies will be greater than the country's buying power. At once I struck fire.

That "Saturation Point"

"Saturation point, there is no such thing as saturation point! The term is not well chosen. Why do some people so loosely discuss subjects which they do not understand?" He spoke more re-

THE DURANT SECRET OF SUCCESS

"To what one thing, more than any other, do you attribute your success?" was asked of William C. Durant.

"I try to never make the same mistake twice," replied the quiet genius who, in large degree, dominates the motor car business of the world.

Company without a definite, fixed appointment should go early. "Not that Mr. Durant is hard to see," explained one of his able lieutenants, "for he is the most democratic man on the face of the earth—but he is busy all day long and often into the night. Anyone could see him if only the days were longer."

Fortune favored me. When I arrived at the offices of the Chevrolet Motor Company there were only two men ahead. They were soon disposed of and presently, as the shadows from the Palisades were lengthening across the Hudson, I found myself in the presence of the man I had come to interview.

William C. Durant is a difficult man to describe. Of medium height and with a slenderness which gives the impression of a greater height than the measuring rod would show, long of feature and

gretfully than impatiently. "There might come such a thing as temporary overproduction, which, in the motor car business, as in every other line, should it arrive, will require adjustment; but the idea that we will eventually reach the point where it will be impossible to sell a vehicle which furnishes quick and economical transportation, either in its present or some modified form, is ridiculous. People will ride and the vehicle must be supplied. People will buy motor cars just as they will buy stoves, refrigerators, sewing machines, pianos, watches, clocks, furniture, clothing, boots and shoes, and motor cars will be supplied as required by people who know-how. Stoves, refrigerators, sewing machines, pianos, watches, clocks, furniture, clothing, boots and shoes and other creature comforts and necessities have been manufactured

for years, but," said Mr. Durant with a smile, "nobody seems to worry much about *their* saturation point.

"Just see how they talked about the automobile seven years ago"—with a quick gesture he plucked a small brown volume from the file by his desk and read from a speech made in 1908 by the late James J. Hill, in which Mr. Hill deplored the "extravagance" of the farmers, who spent their hard earned dollars on motor cars. "No one has ever accused the American farmer, even in his periods of greatest prosperity, of scattering his money recklessly and you can depend upon it"—with one long forefinger he impressively tapped the book he held—"that when the farmer spends his hard earned money for an automobile he does it in the first instance because he has good use for it and in the second instance because he knows that it will pay him a good return upon his investment."

A Fundamental Belief

That statement discloses the keystone of William C. Durant's business arch—an unflinching belief in the *utility* of the automobile and an unswerving faith in its possibilities of development. Mr. Durant's voice reminds one strongly of the elder Rockefeller, for he speaks in the same low, unhurried cadences. In fact, there are many points of similarity between the two men. They belong to the same "type," or rather they represent a type of their own.

To accomplish the great things in life one must have that qualification which, in our inadequate phraseology, is best expressed by the word "vision." When you meet a person with true vision you are in the presence of a super-man, and you soon realize it. Mr. Durant looked down the lane of years, saw—and saw rightly. Vision, belief and courage—these are the three cardinal qualities which produce the Carnegies, Rockefellers, Harrimans and Durants. There is no stopping such a combination of attributes.

In painting a word picture of Mr. Durant, a distinctive feature is his native modesty, which is fundamental in his make-up, to the extent that there is never the slightest tendency to refer to himself as the important and directing factor in

the constructive work he has accomplished. A power and a giant in the financial and commercial world, yet so modest as to make it difficult to draw from him anything tending to bring his own personality to the front.

Seeing Into the Future

"When we laid out the Buick plant," he said, "we anticipated and prepared for a great development and our expectations have been more than realized." The innate modesty of the man compelled him to use the editorial "we," but as a matter of fact it was Mr. Durant himself who foresaw the coming great demand and it was Mr. Durant himself who in 1907 laid out and built the Buick plant exactly as you see it today, one of the two largest in the world. Those who believed with him prospered, some beyond their wildest dreams. There are today more than one hundred individuals with fortunes ranging from \$100,000 to \$6,000,000 who owe all their dollars to this dreamer and practical man. Mr. Durant may take exception to my classing him as a dreamer, but that's what he is nevertheless. John D. Rockefeller dreamed the dream of the oil industry, Harriman the dream of the West, Hill the dream of the Northwest, and Durant the dream of the automobile's supremacy. All these men made their dreams come true, and that is why their positions are secure in the national industrial hall of fame.

Worth of the Durant Smile

Since the interview I have wondered how great a part of the Durant success is due to the Durant smile, for it is one of the most pleasing that I have ever seen. Apparently, he gets a lot of fun out of life and work, for he smiles often. I have no doubt that it has rendered important service in winning over obstinate contractual parties and in negotiations representing millions of dollars. If the Durant smile could be capitalized I believe it would stand an issue of \$50,000,000, which could be sold at par.

For more than three-quarters of an hour we talked of life in general and the automobile industry in particular. Many of the striking anecdotes and observations were qualified with the request that they

be not printed, so that I am unable to give them here. I found that it was very easy to get him to talk of the industry in which he is so vitally interested, but that there was one subject on which he was reticence itself. That subject was William C. Durant. I apparently failed to make him see that Durant was any more than a cog in a vast and complicated machinery and one whose importance was nothing as compared to that of the whole. Finally I fired point-blank a question which had occupied the back of my mind from the start:

Why Mr. Durant Works?

"Mr. Durant," I said, "you have at your disposal practically all the world gives that money can buy. You have tasted all that position and power can offer. Why do you continue to work, and what are you working for?"

For the moment he seemed somewhat nonplussed. Perhaps the idea that anyone should regard the world otherwise than as a place in which to work and in which to put forth one's best efforts, had never occurred to him before. For a while he sat silent, his hands folded, while his glance wandered meditatively through the window towards the Palisades now black in the gathering gloom. Then that remarkable smile flashed across his features like a ray of sunlight on a mirror, and he spoke, choosing his words carefully. He said:

"I don't think that question has ever been put to me just that way. I work because—" he hesitated—"because I like to do things."

A simple answer and one that explained a lot. William C. Durant works morning, noon, afternoon and night—not because he has to work or feels that he ought to work, but simply because he *likes* to work. He *likes to do things*, in the way they should be done. As the chess player will sit for hours studying a situation, as the inventor will wrestle with his problem until dawn appears, as the author or the composer cannot get to sleep until his idea has been put down in tangible form, so William C. Durant works anywhere from ten to fifteen hours every day of the year because he finds work an absorbing and satisfying thing.

He is playing a great big game, one that is so varied and interesting that the ordinary pastimes of life seem commonplace and tiresome. Outside of the hours he spends with his family and an occasional visit to the theater, Mr. Durant finds in work the satisfactory answer to the riddle of existence.

A Fascinating Personality

William C. Durant is a fascinating personality. Any man who has piled up a fortune of \$100,000,000 is bound to be interesting, but Mr. Durant is interesting not only for what he has done but for what he is. Before I met him I had heard the adjective "lovable" used many times in connection with his name and his manners described as "Chesterfieldian." I had taken both adjectives as being the hyperbole of loyal followers who have good and substantial reasons to be enthusiastic, but after an hour's conversation with that quiet, amiable, and deadly efficient genius, who another writer has alliteratively termed as "The Master Mind of the Motor World," I was forced to conclude that there was no exaggeration. Except that perhaps the word "Chesterfieldian" was not too happily chosen, for to me it connotes something of extravagance in deportment. And that is the last thing one would think of in connection with Mr. Durant. His manner is as polished and kindly as one could wish, but never is there the least suggestion of affectation.

Of Mr. Durant's charities I am not privileged to speak in detail. I was told about them by one of his associates but under the seal of the confessional. I am violating no confidence, however, in stating that they are very many and very large, and almost always given with the express stipulation that the anonymity of the donor must be preserved.

Mr. Durant is a young man yet as the world figures ages, and in bodily as well as mental vigor. He has gone far—very, very far—but by no means to the limit of his capabilities. Wall Street is watching him very closely for his name is becoming one to conjure with in the financial district. It will be interesting to follow his career during the next ten years.

Holding Companies

What a Holding Company Is and How It Operates—Good and Bad Holding Companies—An Illustration of How the Cake May Be Eaten and Still Kept

BY MONTGOMERY ROLLINS

Author of "Money and Investments," etc.

ONE familiar with the heroic warfare of the football gridiron; the manifold and fascinating intricacies of this great college sport, feels his enthusiasm ebb or flow as one or the other team is penalized by being set back a given number of yards. Then his gaze flashes to the huge score-board usually decorating the landscape, at one end of the field, in order to determine the cause of his sorrow or elation. Here he frequently sees the word "Holding" displayed in explanation.

Thus "holding" has become a term to signify outlawry of one kind or another, and is even so viewed by most legislators in its nearly synonymous use in finance. For years, particularly since the Government's successful attack on the famous Northern Securities Co., the brains of many of these lawmakers have been sorely taxed to invent some method of hitting all "holding companies," good or bad, in the unsound judgment growing out of the uneconomic sense of this class of treasury looters whom we, sitting supinely by, permit to govern us.

Fortunately, there is a greater power than our national legislature, for the Supreme Court of the land has decreed that a corporation is not necessarily bad because of its large size. The holding company, by which large size is often reached, is thus not necessarily evil in intent or doings merely because thereof.

What Is a Holding Company?

It is formed for the especial purpose of owning or holding the shares of one or more other companies. It is an arrangement whereby financial combinations may indirectly control operating companies through ownership of their capital stock. One of the most prominent examples was that of the Amalgamated Copper Co.—which was a "finance

company" so-called; meaning one and the same thing as a holding company. This was organized to control the shares of certain operating copper companies.

The whole idea is one conceived to circumvent the law, and thus bring about, indirectly, the virtual consolidation of two or more companies, when, to do so directly, would be illegal. The "sub-companies," as the several corporations thus brought together are termed—"sub," in the picturesque slang of the "Street," for "subsidiary"—maintain their individual existence as before, but the officials managing the same are appointed by the management of the "parent"—another term for "holding"—company. Some such State as West Virginia or Maine, where laws have been enacted to attract such incorporations because of the rich harvest of taxes to be garnered, gives willing birth to the parent organization. New Jersey (facetiously dubbed the "incubator of trusts") at one time was such a hotbed for this sort of financing, that the taxes paid into the State treasury, from this source, were suggestive of the results from rubbing Aladdin's lamp.

The Northern Securities Corporation, already mentioned, which, in its forming, gave the Stock Exchange one of the worst attacks of indigestion it has ever seen, was brought into existence under the laws of the last named State. This was one of the most colossal examples of the kind then attempted. In that case, it was desired to consolidate certain railway companies. The laws of some of the States, crossed by the roads, prohibited the consolidation of parallel or competing lines. It was held that they were such, and, therefore, to get around this dangerous point, another corporation was formed under New Jersey laws, and its shares issued in ex-

change for those of the railway companies in question. But the Supreme Court of the United States decided the scheme illegal, and ordered the stock so taken distributed to its proper owners. The adverse decision, however, was not because of the holding company idea (per se), but because the laws prohibiting the consolidation of such roads were being evaded.

Various Forms

The holding company idea takes various shapes in its working. It may take the form of agent, or trustee, or a combination of both. Even a corporate form is not always necessary, as in the "voting trust," and here we encounter a temporary rather than a permanent use for the plan. The ultimate goal of the projectors may be to check competition, than which there is no better example than in the Northern Securities case; or checking speculation in certain securities may be the aim.

When all is said and done, however, we regret to admit the principle of the holding company, in its working, is wrong. Stock watering, concentrated control, the building up of inverted financial pyramids, and other evils, too frequently result, and yet, the idea, when faithfully and patriotically administered, has the possibilities of much good, such as better and lessened cost of service, as well as lower priced commodities to the consumer.

We cannot give the many devices by which the unscrupulous unjustly gain by this scheme, but a brief glimpse into the inner workings of one of the shady type may unveil to the unwary the many quicksands which he risks in his financial journeys.

We would not, for a moment, have it supposed that the chicanery of finance is confined to Wall Street, which, in the long run, is a tower of strength and integrity, compared, for example, to the insidious devices that honeycomb misled union labor; or the class the long suffering householder encounters in his irritating dealings with plumbing and allied trades. Let many such clean their own houses before throwing dust in the eyes—*la poudre aux yeux*, as the French

say—of the public by heaping abuse on their betters. Then, again, Wall Street, in its broad meaning, has suffered, in a measureless degree, because of the all too prevalent "get rich quick schemes," which, unhappily, have been too prone to domicile themselves in that locality. It is, indeed, fortunate that the energetic and well directed efforts of the United States Government, under a previous administration, got upon the trail of these gentry and made it unwholesome to ply their nefarious trade.

And yet, the Holding Company has, to quite an extent, besmirched the reputation of Wall Street, as well as lesser thoroughfares, with their lanes and allies.

An Illustration

But now for our single illustration.

In our experience, we have encountered almost every kind of a scheme to separate us from our savings, but never a more high-handed method of "eating your cake and having it too," than this, which is chosen to illustrate how a questionable enterprise can be launched on the established reputation of a banking house, and, more particularly, to demonstrate how greedily its customers buy purely on such a reputation, without making the least attempt at an understanding of what is behind the security; their rights or wrongs in the matter.

For years this banking house we have in mind, Jack Sprat & Co., gradually had been securing control of concerns in a certain line of industry. Let us call it chewing gum, which it was not—it may have been cement, or bananas, or what you please. The plan was to take over the control of one of these properties, issue securities against the same, based on what experience had already demonstrated the firm's ability to make such an enterprise earn. Therefore, it was bonded at about its full cost, but, in no instance, did this cost represent more than the face value of the bonds and preferred stock. Then followed a large issue of common stock—entirely water—to be retained by the bankers as their profit for taking a more or less run down industry, and applying such efficient methods to its management, that,

truly, two blades grew where, before, but one barely sprouted. No criticism is indulged in so far. If better management could make that worthless common stock—and still in the vaults of the promoters—a valuable asset, why not? The world benefits by the regeneration of the property, at least.

And we will further allow that this same banking house should have a side organization for the manufacture of chewing gum machinery to fill the needs of their many gum plants, so long as the machinery were up-to-date and furnished at prices consistent with open market conditions. And this was all done. So no criticism on that score, even if you do accuse Jack Sprat & Co. of being greedy and leaving no open loop-hole through which any possible profits might escape their grasp. Again, we say, why not, in view of all the circumstances?

So property after property was financed in this manner, encouraged by the fact that gum-chewing was a growing habit with our nervous population, who must eternally keep their jaws at work on something, even if no more than the deservedly abhorred toothpick.

The income of our banking friends grew apace, rolling up, year after year, and assuming tremendous proportions. In the meantime, be it said to their credit, they were making good with their properties. No bond or preferred stockholder had cause to complain. The common stocks were gradually placed on an attractive dividend basis, and so became marketable. But the bankers were loath to part with these common shares, for, by so doing, they would lose control of their gum properties, thus no longer would be able to enjoy the handsome returns in the form of managerial charges and machinery profits.

Well, what of it? Why not have kept the stock? But no! During prosperous times, when they were piling up large earnings, it was quite human that the idea should possess the minds of Jack Sprat & Co. to cash in their common shares, and set aside the proceeds for a rainy day; invest in high grade bonds, standard railroad stocks, or what not.

But here was a hard hill to climb—to part with this stock and not with the

control of the gum factories wherein they had invested.

Eating the Cake and Having It

No trouble about that however, with such a name to conjure with as that of Jack Sprat & Co. So the matter was solved by taking these common shares and depositing them in a trust company, then issuing against them new stock in the Universal Gum Securities Corporation—as good a title as any—for substantially the same face value as the deposited stocks.

The next move was to permit certain of the numerous confiding clientele to subscribe to a limited amount in the new company, at the very attractive discount of almost 1 per cent. It was oversubscribed in a twinkling.

But why was it that no purchaser had the wit to discover that this stock carried no voting power, although the fact did appear on each certificate engraved in needlessly small letters?

Right to exchange the collateral back of the stock of the Securities Company was likewise reserved to the bankers.

Here was the most barefaced example of an "Indian gift" with which we have met. But we are not through; the new stock was entitled to 6 per cent. per annum and no more. If the deposited stocks did not produce that rate, the holders of the Securities Company stock had their rate reduced accordingly; and it was not accumulative. On the other hand, if the collateral earned more than enough to pay 6 per cent., the balance lined the pockets of Jack Sprat & Co.

Well, what harm, if all goes right, and the Securities Company continues to pay its 6 per cent. indefinitely? No great harm would there be if the man who cares for your furnace—one with no resources worth mentioning—indorses a note for a million or so, providing his indorsement were not put to the test and the other man made good. But you miss the point, when you ask that question. In the case of the gum financing, the public was asked to carry all the risk, with no voting power appertaining to such a risk.

Our forefathers went to war over the principal of "taxation without representation."

The Election and the Market

Does the Stock Market Help to Forecast Election Results? Presidential Years Usually Bull Years

BY THOS. L. SEXSMITH

IF is not surprising that the present year so far has been one of the most bullish in recent market history. True, it is a presidential year, and as such is clouded in the usual political uncertainties. But a review of the past will show that presidential years have been bull years as a rule; that two of the greatest bull markets in the memory of traders of the present day came during presidential years, those of 1904 and 1908; that the past five presidential years have all had exceedingly sharp advancing markets in the months just preceding the elections, and the present year makes the sixth straight year to show the same characteristic.

The answer to the natural question, "Why are presidential years bull years"? no doubt may be found in the study of the economic conditions prevailing during those years. Yet if we stop to consider the fact that greater the element of uncertainty the larger is the opportunity for speculation, it is not to be wondered at that years which largely determine the political policies of the country for the following four years witness important speculative activities in the stock market. Imagination is undoubtedly necessary to speculation. He who buys must see in his mind's eye a higher price for his stock, hence the order to his broker. And what greater stimulus to the imagination than the promises of the political orator and writer once the vast constructive policies of his party are launched, or those of the party in power given endorsement at the polls!

Market Bigger Than Politics

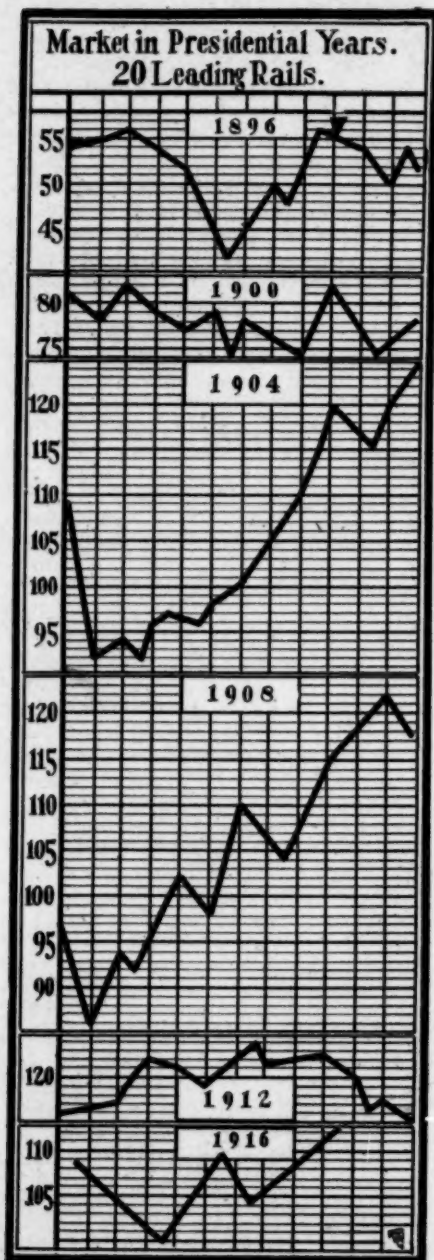
As the political destinies of a nation are greater than any party, so the driving force within the market is greater than any outside influence such as politics or the personalities of administrative government. The very same concrete causes which result in the building of a thriving city of steel, brick and stone where once was a quiet country village

bring forceful bull movements out of dullness and depression. Hardly a single brick used in the building of the city was placed in position without the expectation of profit from the effort; surely none buy into a stock unless on the conviction that profits are not too far away. The desire to make money is behind both; opportunism, the timing factor.

The stock market is the pulse of the nation. When driven to excessive exertion the beat is fast and furious. Once remove the pressure and let down the pace of industrial activity and the reaction to normal begins. A boiling market is as abnormal as a fifty thousand share day. Therefore, the normal is somewhere between the two. The market freed from strong outside influences is the normal market, and the normal trend direction of the stock market of a growing country such as ours is a slow, insistent upward slant. To appreciate the influence of outside causes on the course of the market it is necessary only to view the market panorama which was recently published in this magazine. Over thirty years of the market are given in graphic form, and the many spectacular variations from normal are disclosed. These large movements in either direction, up or down, are what we know as bull and bear markets.

Reasons for Pre-election Bullishness

To explain the bullishness of presidential years we must look to bedrock. The position of money, the condition and quantity of the crops, general business, and the like. Favorable situations in these basis factors give solid foundation for bullish markets in securities. But more than foundation is necessary to the building of a structure. In building the market structure which develops into the bull move possibilities for the employment of the speculative imagination of the public must be present. There must be in the air that quality of subtle excitement, that suppressed expectancy



of impending change which serves so well to stimulate the speculative instinct. Presidential campaigns provide this in

plentiful measure. That is why, given a solid fundamental foundation, large bull markets are possible during the months preceding the elections.

A short history of the last five presidential years contains much of interest. In connection with the comparative graphic showing the course of the stock market during those years, and during the present year up to time of going to press, it is of special interest at this time, giving, as it does, something of value upon which to base estimate of the kind of market action reasonably to be expected after election results become known.

Past Presidential Years

Year 1896—The low point of the average market was reached August 8, at 41.86, the lowest in many years. The nomination of Mr. Bryan and the ascendancy of the free silver forces in the Democratic party gave the country financial and business interests a genuine "scare." But the expert, and some say extremely "practical," management of Mr. Hanna insured the election of Mr. McKinley, and by the tenth of November the market had rallied to 56.80. A good corn crop helped also, and business in general improved.

Year 1900—The market had been in reaction from April 4 to December 22, 1899. The early part of the presidential year 1900 was therefore used in preparation for the large advance which began on June 23. The advance continued throughout the last half of the year, and by January 12, 1901 the average market had advanced to 98, which was a remarkable gain in so short a time, being approximately 25 points on the averages. That meant 50 to 100 points for some of the most active stocks. President McKinley was reelected, crops were large and business very good.

Year 1904—On January 23 of this year began a new bull movement of vast proportions. Again the factor of good crops, large railroad earnings and comparatively plentiful money supply made the advancing markets possible, and the Republicans, under the leadership of Mr. Roosevelt, were continued in power.

Year 1908—The earlier months of 1908 were given over to cleaning up the

driftwood from the market wrecks of the panic year preceding it. The real bull market of the year did not begin until September 22, when the average figures stood at 104.39. By January 2, 1909, the advance had carried them to above 120, and on August 22 of the same year the historical high for the averages was reached at 134.38. Crops and business again were good, and the Republicans, with Mr. Taft as their candidate, and also the personal choice of Mr. Roosevelt, were once more successful.

Year 1912—The first nine months of this year were more bullish than bearish, the dominant trend for the whole period being upward. October 4 saw high figures for the year in the average market, while prices were still near their highest one month later. On the success of the Democratic party, and the knowledge that its success meant radical tariff changes, the market sold off sharply, closing at the lowest for the year. Good crops made the early advance logical, but the market throughout the first nine months of laborious advances and easy declines exhibited all the characteristics of urgent distribution.

The Present Year

Year 1916—The present year has so far lived up to tradition. First came the goodly decline from the opening of the year slightly above 108 to the April low of just below 100. That low point really marked the end of the nine months reaction from the high of the 1915 bull market, made during the month of October. The early summer months which followed gave opportunity for preparation for the bull market begun on August 9, and which reached its highest point on September 29. While the fundamental factor of good crop prospects was missing, exceedingly high prices and a large carry over from the year before furnished alleviating circumstances. Record earnings for industrial, railroad and shipping corporations helped, and plentiful supply of money at low rates made speculation easy to engage in. October's long string of million and over share days attest to the fact that the opportunity did not go abegging. Certain technical indications suggest that the large public participation of September

and so far into October was taken advantage of by those who had stocks on hand, which had cost them considerably less than prevailing quotations, to exchange them with an over eager public for real money. Perhaps these indications are misleading, but the dramatic ease in which prices tend to decline on the receipt of bad news would seem to confirm the distribution theory.

Industrial stocks, having been bulled the more, sell off the easier, and rally less than rails, which have not been bulled or distributed to so great an extent. Therefore, whatever promise the future gives for a continuation of the bull movement applies to the rails especially. But after so large a rise, and so good evidences of distribution, the employment of caution is strongly advised.

Side Light on Election Result

If the markets of past presidential years show anything in the way of aid to forecast of the election results, it is the tendency of bull markets to indicate a satisfied public mind, and therefore the absence of radical dissatisfaction with or distrust of the administration in the saddle. Of course, this failed to be a good guide in 1896, as far as the market move went, but then the state of public mind was far from satisfied at the time, and the bull move just before election was not one largely participated in by the public, as the recent one was, but one engineered by the operations of those who were largely on the inside of things, and in anticipation of an election result which was almost as good as if counted.

In brief, the writer's belief is that the recent large advance in the market was not made for the purpose of discounting the return of a Republican administration, as the public so readily took for granted, but was engineered by important market interests largely as a preparatory measure in the event of another Democratic success.

This belief is borne out by the willingness of these same interests to part with vast amounts of stocks on a scale up throughout the advance, and coincides with the editorial policy of this magazine, which advised its subscribers to take their profits practically at the top up to time this issue goes to press.

MONEY-BANKING-BUSINESS

What Thinking Men Are Saying

About Financial, Investment and Business Conditions

"Must Prepare, Or Disaster"—C. M. Schwab

Charles M. Schwab writes in *System* for October:

"I do not expect any such sudden change in manufacturing conditions immediately upon the coming of peace. Peace will affect only future and not present orders.

"Therefore, in so far as the steel trade is concerned, peace will bring no sudden change and there will be ample time and opportunity to transform gradually most of the purely munitions plants into ordinary machine factories. Every conservatively managed plant has already charged off all the extensions, including machinery and buildings, which cannot instantly be turned to normal peace work.

"The real problem will not be faced until the war contracts begin to expire and the momentum of our prosperity to die out. This period, roughly speaking, will be within six months to a year after the close of the war. By that time we should have a new market to absorb the enormous production that the

war orders and their consequent nation-wide prosperity have engendered. It is against this that we must be prepared. Otherwise, disaster."

"Railroads' Arteries

Hardening"—F. A. Vanderlip

Frank A. Vanderlip, president of the National City Bank of New York, delivered an address on Oct. 20, before the convention of the Society of Railway Financial Officers on the general subject: "What Is the Matter with the Railroads?" Every important railroad system in the United States was represented in the audience, and there were many bankers from various cities and practically all the higher officers of the Washington banks present.

The fact that the last year has been marked by a suspension of railroad construction and 42,000 miles of road is in the hands of receivers and that capital avoids railway investments, suggested to Mr. Vanderlip that the industry was undergoing "hardening of the arteries." Although representing a grand total of \$16,000,000,000 invested, the condition of the railroads of the United States, he said, was due to selfishness on the part of the public, the stockholders, the wage earners, and the politicians. Mr. Vanderlip said that the most selfish of all was the politician, who traded his judgment in an economical decision for votes, this allusion being received as a condemnation of the enactment of the eight-hour day law by Congress.

The spirit of resentment against the dual control of railroads by State commissions and the Federal Interstate Commerce Commission was in a measure indorsed by Mr. Vanderlip, who said that he did not regard the remedy proposed as a cure-all, and pronounced the desire of railroad Presidents for complete Federal control under a regional system—something like the organization of the Reserve Bank system—and the absolute abolishment of State control as at best only a half-way remedy.

320 Millions in Cash

In a majority of cases the cash holdings of American corporations are now much larger than ever before, remarks *The Annalist*. While in not a few instances the amount of cash on hand dis-



—Philadelphia Evening Ledger.
STILL GROPING.

closed by the latest annual balance sheets was substantially smaller than it was prior to the war, owing largely to the fact that the volume of business is so heavy as to require unusually large amounts of money, in the aggregate the cash position is now much stronger than it was then.

In the table below is given the item "Cash" as shown in the balance sheets of fifty representative corporations at the time of the last annual reports.

Chairman of the Foreign Relations Committee, Senator Stone, said:

"The chief mutual purpose of the Allied nations is to wage a commercial war against Germany after Germany shall have been defeated. There has been no attempt to disguise their purpose.

"Perhaps it would be only natural for these nations, victorious in war, to turn a cold, icy face to America and all the rest of the world—crush Germany industrially as well as physically—and join in a common effort to rebuild their shattered fortunes by concerted

FIFTY CASH TILLS

	Last Report.	Year Before.	Two Years Before.
Allis-Chalmers	\$1,123,095	\$776,734	\$1,274,424
American Agric. Chem.....	2,652,520	2,109,659	1,274,651
American Beet Sugar.....	3,131,960	1,838,999	638,556
American Brass	2,662,796	2,017,501	1,181,392
American Car & Foundry.....	4,443,959	3,659,855	4,251,578
American Hardware	689,622	447,097	496,418
American Locomotive	10,351,070	15,409,479	8,411,467
American Smelting & Refining.....	14,642,460	8,034,778	4,043,666
American Snuff	1,550,783	1,127,991	928,260
American Tobacco	6,539,315	5,991,569	6,451,701
American Zinc, L. & Sm.....	640,414	43,316	334,875
Armour & Co.....	8,401,471	7,085,581	5,409,710
Arnold Print. Works.....	539,425	25,009	81,563
Associated Oil	2,406,234	1,950,279	883,637
Assoc. Simmons H.	1,256,141	652,051	834,083
Atlantic Transport.....	3,753,070	1,466,750	1,730,985
Atlas Powder	610,649	523,175	344,760
Bethlehem Steel	15,601,528	5,220,911	1,963,281
Butte & Sup. Min.....	2,128,187	874,677	225,294
Canadian General Electric.....	477,631	82,885	66,560
J. I. Case Thr. Mach.....	1,522,422	596,765	553,520
Central Leather	7,366,128	5,903,481	1,777,227
Chino Copper	1,065,735	157,054	124,383
Comp.-Tab.-Rec.	731,389	412,821	310,154
Consolidation Coal	4,305,480	1,281,802	2,042,805
Continental Can.....	604,476	354,055	288,159
Corn Produ. Ref.	2,502,246	688,483	395,135
Deere & Co.....	4,470,811	3,346,783	1,925,438
Diamond Match	1,843,972	1,658,233	1,658,190
Eastman Kodak	10,043,702	9,566,160	8,278,161
Electric Storage Battery	653,756	659,088	417,835
General Chemical	1,712,269	1,032,814	899,282
General Electric	30,138,913	22,528,888	14,844,210
Geo. W. Helme	1,693,223	756,118	889,058

Allies' Trade

War Plans

A Washington dispatch to the New York *American* says that the Administration is "considering the necessity of early enactment of legislation to protect the United States against the economic combination of the Allied Powers." The dispatch reports further that in the discussion of the issue in the Senate, the

action, without deference to other nations.

"That policy would be short-sighted, resulting in retaliatory measures, and wounded nations would suffer most if they entered upon a struggle with the neutral nations who might be most helpful to them in a time of such dire stress."

"Brandeis Friend of Railroads"—Ivy L. Lee

Ivy L. Lee, formerly assistant to the president of the Pennsylvania Railroad,

addressed the members of the National Association of Paint, Oil and Varnish Manufacturers at their annual dinner at Atlantic City on the future of the railroads. Mr. Lee, in part, said:

"Mr. Brandeis has been a far better friend of the railroads than either he or they knew. When legal authorities were arbitrarily in-

road, said recently at a luncheon of the Members' Council of the Merchants' Association at the Hotel Astor:

"We are forced to ask ourselves," he said, "to what extent America, with its high standard of wages, its short hours of labor and its restrictions upon speed, output, and efficiency, its labor-union domination of Legislatures and public executives, can compete successfully with Europe, purged as by fire of everything tending to inefficiency, and courageously resolved to re-create what has been destroyed, to regain and augment the industrial position which temporary folly has imperiled. We should then be invited to an economic struggle which would be lost unless the highest American statesmanship should be fearlessly devoted to the task of freeing domestic industry from its shackles."

The peril of sudden non-employment of capital and labor when peace ends, the unprecedented demand upon our industries might be counteracted partially, the speaker hoped, by the devotion of this country to the strengthening of its own defenses.

"U. S. Will Restock World"—Dr. E. E. Pratt

At the national convention of the National Implement and Vehicle Association at Atlantic City on Thursday, Dr. E. E. Pratt, Chief of the Bureau of Foreign Commerce, gave some reasons for expecting a revival in export trade in this line, and he made the statement that this country would be called upon to restock the world with farm machinery:

"Europe, and for that matter, all of the countries of the world, he said, are to-day almost entirely stripped of their stocks of agricultural implements and machinery. The factories in the belligerent countries which have heretofore been making agricultural machinery have been recently producing only a comparatively small proportion of their former output, and some of them have almost entirely ceased to turn out agricultural implements. In some of the belligerent countries, not only have the stocks of machines been exhausted, but agriculturists have been forced to resort to machinery of obsolete pattern and design, and in some cases have even gone so far as to piece-together odd parts which happened to be in the warehouse. It has been almost impossible for many nations to get the bulkier products, among which the heaviest and clumsiest are agricultural machinery. The mere transportation expenses have been almost prohibitive."

Why Stocks

Went up

Stocks have risen because the dear, singing, bitten, bedraggled public is once



—New York World.
I SHOULD WORRY!

creasing railroad expenses and reducing their revenues or refusing to increase their rates Mr. Brandeis, in the rate advance case of 1910, said and pointed out methods whereby the railroads could, by instituting proper economies, save a million dollars a day.

"That, of course, was a mere graphic estimate. But it is an astonishing fact—and more than a coincidence—that the railroad net operating income for the fiscal year ended June 30, 1916, was almost exactly \$308,000,000 more than what it was for the preceding year, or about \$1,000,000 increase for each business day in the year—the first year in which the railway plant had been utilized to capacity since Mr. Brandeis made his estimate."

"May Lose Our Supremacy"—L. F. Loree

Commercial supremacy may be snatched from this nation as it was from Spain when she was on the brink of world domination if Government, industrial and commercial bodies fail to unite in organized adjustment at the close of the European war, L. F. Loree, president of the Delaware & Hudson Rail-

more being swept off its feet in the belief that Wall Street is opening up the primrose path to fortune, writes "Jasper" in *Leslie's Weekly*.

When quotations jump from five to fifteen points in a single day so that the holder of a hundred shares can pocket a profit of from \$500 to \$1,500, the dear public rushes in to see if it cannot make a lucky strike too. To these Wall Street is a "gamble." It should not be so.

The stock market never has a boom until the public comes in. But no sustained advance begins without a fair foundation for it. It never continues with a million share market, persisting day after day, unless there is something besides manipulation behind it. The present market had an artificial start. It was given to it by the Morgan crowd acting under agreement with the British Government to enable the latter to unload, at a fair profit, the American securities it had purchased from British holders. Enormous blocks of Steel are held abroad and the rise in Steel common was skillfully engineered, until Steel acted as the leader for all the rest of the market.

Just as soon as the public came in, the manipulators were free to drop out, for the public can always be trusted to keep the ball rolling when conditions are favorable for an advance, as they now are. Every boom must meet reactions. This makes a splendid market for traders to get in and out and pick up a profit on turns. Experienced speculators in Wall Street are doing this now. It is their harvest time. My advice to the amateur is to follow their example.

The Speculator's Part

The distinction between speculation and investment is often a very difficult one to make, says Hemper Simpson in *The Annalist*. Of course, there seems something reprehensible about speculation that is not present in investment.

However, when a man buys B. F. Goodrich common below 70 and Steel common around 80 he thinks that he has bought a good investment at a low price. He can expect these stocks to pay on the average about 5 per cent. Back in his mind he may have harbored the hope that in a short time B. F. Goodrich would rise to 85 and Steel to 95, at which prices he would sell out at a profit. He was speculating when he hoped for such a rise. If this hope was founded on any knowledge, from an economic point of view, he was doing a more valuable service as speculator than as investor. As an investor he was looking for an abnormally high return; as a speculator he was buying when the market for that particular stock needed buyers.

As long as there are discrepancies in the yields of different railroads, the services of the speculator will be needed there; and for

those railroads which have great fluctuations in their yearly earnings the speculator must do his work. More true is this of industrials in that they have, from their nature, less stability of earning power.

The investment position of the industrial stocks is a matter of some interest. Undoubtedly the 7 per cent. preferred stocks of those corporations which have a good record of earnings are good investments in that they are a first lien on what is usually but a part of a reasonably assured income. If they are retired rapidly enough the buyer need have no great fear of the possibilities of a distant future.

"If England Suspend Gold Payments"—T. H. Price

Writing on the above subject in the pages of *The Outlook*, Theodore H. Price trenchantly observes:

"That the entire superstructure of the world's credit should be imposed upon a sixty-foot cube of gold is an absurdity that is being



—N. Y. Herald.

"WHO SAID 'BUY A BALE.'"

made gradually apparent by the war. If it shall become evident that the joint guarantee of the Allies can support a currency that is redeemable in goods but not in gold, it is conceivable that they will adopt it. Their financial problems would be immensely simplified by such action.

"Therefore it is with the economic discovery that may be made if England suspends gold payments that we should concern ourselves, rather than with the prospective increase in our gold supply.

"If after the war the world goes on as it has in the past, we shall not be much affected. If, on the other hand, the intrinsic value or valuelessness of gold pound for pound as compared with other metals should be revealed, our problem will be a difficult one."

Paper Shortage Growing

Recent developments in the white paper market indicate that the shortage which was predicted early this year is an actual condition and that the prospects are not encouraging to the publishers, says *The New York Times*.

The scarcity of print paper has in the last few weeks caused the newspapers to institute economies hitherto unknown in the business and to look around for additional methods of conserving the stock on hand. Even allowing for drastic reductions in consumption next year, experts point out that the supply will not come up to the demand. The public, it was said, must realize that smaller newspapers are due.



—Ohio State Journal.

"WHEN THE FROST IS ON THE PUNKIN AND
THE FODDER'S IN THE SHOCK."

Financial Opinion

Merrill, Lynch & Co.—The market remains about stationary between the upward push of great industrial earnings and cheap money and the fear of another outburst of submarine warfare. As to politics, we think the market has discounted a Wilson victory and that if this comes to pass there will be little change due to it. If Hughes is elected we look for another strong upward movement in the common stocks and a few preferred issues, although many of the

latter are now as high as their definite income return should ever warrant.

J. S. Bache & Co.—A considerable resumption in the advance has caused much realizing of profits, but the public having recovered from the nervousness of the past week or two, is again manifesting a realization that this is an era of great earnings, some of which are crystallizing into new, extra, or increased regular dividends, and that this feature is liable to continue. There is little doubt that many of the industrials, including the war stocks, will sell much higher in time. The railroads, while slower to respond thus far to the pressure for advance, are continuing their large earnings and will, some of them at least, some time feel the effect of these in increased dividends and higher prices on the Board. For those conservatively inclined there are a number of railroad stocks which should prove attractive; for instance, Atchison, selling around 106.

Sheldon, Morgan & Co.—The high tide of railroad prosperity does not appear to be in sight for some time to come. The placing of Illinois Central upon a 6 per cent. basis would seem to indicate similar developments in the cases of other railroad companies. With the shortage of freight cars increasing, it is a little difficult to see just how the granger roads would have been able to care for more than a poor grain crop traffic without injury to other more urgent and perhaps more lucrative freight, which is making seemingly maximum demands upon the physical capacity of the railroads.

A. B. Leach & Co.—Existing conditions in foreign trade and finance have brought substantially lower exchange rates on the principal belligerent countries. The American investor is now given the opportunity to purchase foreign government securities at prices very much lower than have prevailed during over half a century. Not only do these offer more than a reasonable income at the present price of exchange, but some of them present opportunities for substantial profits beginning at the time when the rates of exchange shall commence their return towards normal figures.

Knauth, Nachod & Kuhne.—The whole country will breathe easier after the election is over. The indications are that a considerable volume of new business will be released after the people know which nominee is to occupy the White House. A Presidential election invariably has a far-reaching sentimental influence, even if because of "counter attractions" this influence is not reflected in the stock market. For that reason it is a matter of great importance to have the contest out of the way and a possible cause of disturbance eliminated. There is such a large amount of money at the command of borrowers as to make it very difficult to curb speculation at a time when there are so many incentives for bullish enthusiasm. The indications are, therefore, that the investment market will show a good deal of activity during the balance of the year.

The Business Situation

THE outstanding feature in the general business situation is the further rise of commodity prices, *Bradstreet's* Index being now exactly 40 per cent. above the level which prevailed immediately before the war and 56 per cent. above the low of 1908 which followed the 1907 panic. English prices have risen 73 per cent. since the war began, and 104 per cent. since 1908.

Such tremendous changes in the money-value of goods have naturally had far-reaching economic effects. Both production and speculation have been highly stimulated and nominally at least everybody is making more money; but the money will buy less than two-thirds as much as in 1908, hence the loud complaints about the cost of living. Of course the bond-holder, the savings bank depositor and all lenders of money are suffering even more, because of the rapid depreciation of their principal in buying power. Perhaps it is fortunate that most of them do not realize just what is happening to them.

This is the first time in the recent history of this country when it can truly be said that there are more jobs than there are men to fill them. This is partly due to the heavy volume of business being done and partly to the sharp falling off in immigration.

In the two months of August and September our exports exceeded our imports by the remarkable figure of \$660,000,000. Nothing like it ever happened before and after the war is over it cannot happen again for many, many years. The piling up of this enormous "favorable balance of trade"—as it is convenient, though not strictly accurate, to call it—is laying the foundation for coming years of prosperity, though not, of course, without the customary reactions.

Assuming that the war is to continue for another year, the only real cloud in the sky is our poor crops this year. High prices will compensate the farmer but the consumer will feel an additional pinch of the high-cost-of-living screw.

	Average Money Rate Prime Commercial Paper New York.	Average Money Rate European Banks.	Per cent. Cash to Deposits New York Clearing-house Banks.*	Per cent. Loans to Deposits New York Clearing-house Banks.*	Br'dst's Index of Com-modity Pcs.	English Index of Com-modity Pcs.
Oct. 1916	3½	5%	14.1	96.2	12.04	4,423
Sept., 1916	3%	5%	14.0	97.4	11.78	4,372
Aug., 1916	3%	5%	15.2	95.9	11.44	4,204
Oct., 1915	3¼	5	18.1	88.6	9.98	3,336
" 1914	6½	5%	25.2	102.9	9.24	2,780
" 1913	5%	5	25.6	101.1	9.15	2,714
" 1912	6	4%	25.4	100.4	9.45	2,740

*Affected by the new Federal Reserve System

	Total Bank Clearings of U. S. (Millions)	Bank of U. S. Excluding N. Y. City (Millions)	Clearings of U. S. N. Y. City (Thousands).	Balance of Trade —Imports or Exports (Thousands).	Building Operations, Twenty Cities, (Thous'ds)	Business Failures Total Liabilities (Thous'ds)
Sept., 1916	22,762	8,406	Imp. 85,714	Exp. 348,719	-	12,393
Aug., 1916	19,752	7,985	Imp. 29,458	Exp. 310,531	39,292	18,009
Sept., 1915	15,763	6,135	Imp. 40,934	Exp. 149,440	42,971	15,992
" 1914	10,028	5,399	Exp. 19,125	Exp. 16,341	33,932	27,394
" 1913	13,447	5,991	Imp. 4,130	Exp. 47,155	39,073	19,343
" 1912	13,076	5,643	Imp. 3,632	Exp. 54,858	36,827	19,464

	Wholesale Price of Pig Iron	Production (of Tons) (Thous'ds).	U. S. Steel Co Unfilled Tonnage (Thous'ds).†	Price of Electro. Copper. Cents.	Crop Conditions				Babson's Bond Average.
					Winter Wheat	Spring Wheat	Corn	Cotton	
Oct., 1916 ...	17.50	....	....	28.6	45.4†	...	71.5	...	92.5
Sept., 1916 ...	17.50	3,202	9,522	27.2	...	48.6	71.3	56.3	91.8
Aug., 1916 ...	16.90	3,204	9,660	27.4	...	63.4	75.3	61.2	91.9
Oct., 1915 ...	14.78	2,853*	5,317*	18.0	6.55†	94.6*	79.7	60.8*	88.2
" 1914 ...	12.90	1,883*	3,787*	11.3	6.85†	68.0*	72.9	73.5*	...
" 1913 ...	14.35	2,505*	5,003*	16.3	5.23†	75.3*	65.3	64.1*	91.8
" 1912 ...	16.80	2,463*	6,551*	17.3	4.00†	90.8*	82.2	69.6*	96.2

* September. † Last day of month. ‡ Millions of bushels harvested.

The Machinery of Wall Street

Why It Exists, How It Works, and What It Accomplishes

XIII. Distribution of News and Quotations

By G. C. SELDEN

A MOST important and interesting part of the machinery of Wall Street is that which collects from all over the world the items of news which may affect the markets and distributes them to brokers and investors, and then collects on the floors of the several exchanges the quotations resulting from the orders constantly flowing in and distributes these quotations to the public.

The men who have large interests at stake in the markets cannot, of course, wait for the newspapers. They and the brokers who serve them make every effort to get each item of news by telephone or telegraph at the earliest possible moment.

Happenings on the floors of the exchanges are reported by telephone or sometimes by written memoranda dispatched by messengers. These messages are quickly typed and filed in customers' rooms. When the news is very important it is transmitted by telephone or telegraph to the broker's clients who are not at the broker's office.

Important news from all over the world is also frequently forwarded by wire or cable, in order to get it to its destination ahead of the regular news channels. Such an event as a decision of the Supreme Court, for example, is likely to be felt on the floor of the Stock Exchange in five minutes after its purport can be gathered by representatives on the spot. In at least one instance a nervous and overwrought watcher did not wait long enough to get an understanding of a court decision and forwarded an incorrect message which caused a considerable slump on the Exchange before it could be corrected.

The News Agencies

It is only in regard to news of special importance that private messages are employed. The great bulk of the news which may affect the markets is gathered

by the two Wall Street news agencies—Dow, Jones & Co. and the New York News Bureau—with the aid of the Associated Press, foreign news agencies, local news organizations in various American cities, and special representatives. Very little worthy of note escapes these Argus-eyed organizations.

To save the time required to duplicate or print and distribute these items, they are first sent out in condensed form over the "page printer," or news ticker, a complicated little electrically driven machine somewhat similar to the typewriter. These printers are found in nearly all brokerage offices, bond houses, banks, etc., and even in restaurants or saloons which have the sort of patronage to warrant them. All are worked by electrical wires connected with a single central operator. Each machine contains a roll of paper about six inches wide on which the messages are printed out with what seems painful slowness to the feverish speculator. As each line is finished the machine automatically shoves up the paper half an inch and begins on a new line. Though very ingenious and usually reliable, they are subject to peculiar diseases of their own, so that the cry "ticker out" often goes up just at the most exciting moment.

The next step of the news agency is to set up and print the news items in a more elaborate form of the "news slips," or sheets of paper about the size of the ordinary book. These slips are delivered to subscribers in bunches by boys about every half hour. By the end of the day the amount of reading matter sent out in this way is equal to that contained in the average newspaper. It is very comprehensive and contains many items of general interest not directly connected with the markets.

By these means that part of the public which is interested is kept constantly informed of the development of events and thousands of more or less acute minds

are continually digesting the miscellaneous mass and transmuting it into orders to buy or sell this or that security or commodity.

Since the first readers of all this news are for the most part speculators, they are most interested, not in the final effect of the developments recorded, but in what other speculators will think and do—for that will control the immediate movements of prices. It is to this problem that they apply their reasoning powers and the results are sometimes almost ludicrous.

For example, the market has a quick break. Speculators rush to the page printers to see what caused the decline. After a few minutes the news comes out on the printers. Then the mental acrobatics begin. Some are alarmed by the news and sell some of their stocks. Another reasons:

"Aha! They have sold the market down on this news and have all got short. When they start to cover, prices will rally. Buy a hundred Steel!"

Still others may say, "This selling is genuine liquidation. Room traders have bought on the break, expecting a rally. They are all long and when they try to close out they will find a poor market on which to sell. The real decline hasn't started yet."

There is probably no place in the world where so much topsy-turvy reasoning can be observed as in the customers' room of a speculative brokerage house.

But the operations of these day-to-day speculators generally have but little if any permanent effect on prices. The broader movements of the market are made by that class which is sometimes called "speculative investors," who act more deliberately and form their opinions upon a careful study of the whole situation. Any one investor is likely to be frequently mistaken but the combined judgment of all rarely goes far astray. Hence the level of prices, as a rule, pretty closely represents the balance of chances in regard to the various uncertainties which are at any moment overhanging the market.

Sending Out Quotations

As the thousands of orders which

spring directly or indirectly from the accumulation of news flow into the exchange, their effect is recorded in purchases and sales and in a few minutes the return flow of the quotations follows. The trading at the various posts on the Stock Exchange is constantly watched by reporters who record the quantities and prices of the transactions and forward them by messengers to the telegraph operators representing the two stock ticker companies, who have stations in the exchange.

One of these ticker companies serves Stock Exchange members only, and the other serves any subscribers located where they can be reached by its wires—with the proviso that every subscriber must be endorsed by the Stock Exchange Committee having charge of the matter before a ticker can be installed in his office. This is for the purpose of preventing the use of the quotations by bucketshops. There is no difference of importance in the service furnished by the two companies.

The stock tickers, like the page printers, are electrically connected with a central operator. Each ticker emits a narrow ribbon of paper bearing abbreviations representing the various stocks followed by the amount of each sale and the price. For example, "A. 300. 99 $\frac{3}{4}$ " signifies that 300 shares of Atchison common have been sold at 99 $\frac{3}{4}$, and so on.

In addition to the two systems of tickers which carry quotations from the New York Stock Exchange there are tickers for the Consolidated Stock Exchange, for cotton, for coffee, for grain and provisions (from the Chicago Board of Trade and also from the New York Produce Exchange), and for unlisted securities. The Stock Exchange has frequently considered the advisability of having a separate ticker for bond quotations and it is likely that this service will soon be established. A score of cities outside New York have ticker services of their own.

In quiet markets the ticker often remains motionless for minutes at a time, but in busy times it has hard work to keep up with the market. After choking and sputtering at its best it frequently

falls behind five, ten or more minutes. In a wild market this is decidedly troublesome, for the operator who places his order to buy when his stock is selling at 90 according to the ticker may find that it was at that moment really selling at 93 on the floor. No complete remedy for this difficulty is in sight, for no mechanical device could keep up with the lightning fluctuations that sometimes occur in excited markets.

For the convenience of customers, brokers have the prices as they come out on the tickers posted on a blackboard. Formerly a few brokers attempted to post the amount of each sale also, but with the bigger markets of recent years it is doubtful if that is now done anywhere.

Many facetious nicknames are given by customers of brokerage houses to the different stocks, and these are often derived from the abbreviation used for the stock. Missouri Pacific is almost invariably known as "Mop," U. S. Steel sinking fund bonds are often called "Sinkers," etc. During the sensational advance in Crucible Steel in 1915 it was called in one office "Cruci-Bull," but in the decline of the next spring this was changed to "Crucify." Almost every broker's office in busy times contains some wit whose chief object in life seems to be to entertain himself and the other customers.

Most of the watches in the Street are set by the stock ticker. Stock certificates must be delivered by 2:15 p. m. and this rule is very strictly enforced. A little before 2:15 the ticker prints "Time" and after a series of preliminary dots prints 2:15 p. m. at the exact second.

London Methods

The Wall Street news and quotation service is superior to any other in the world in the promptness and completeness of its operation. The London stock tickers do not attempt to print the price of each sale nor the quantity sold. They merely give at intervals the "bid and asked" quotations on each stock. The American stock trader in London feels as though he had no information about the market worth mentioning with only these meager figures to go upon.

Moreover, London quotations for American stocks are in dollars at the fixed rate of \$5 to the pound sterling, and this has to be corrected by the current rate of exchange before the American visitor knows how his stock is selling in New York.

The New York page printers and news slips give the London quotations for the principal American stocks each morning, quoting both the London figure and the New York equivalent at the current rate of exchange.

Although the London Stock Exchange nominally closes at 3 p. m., which is equivalent to 10 a. m. at New York, the hour when the New York exchange opens, trading in Americans is usually continued in London until 4 and in active markets it may be kept up on the curb there until 8, when the New York exchange closes. New York, however, has to rise early to trade at the London opening. Brokers and their most enthusiastic customers sometimes make the sacrifice on the morning after some very important event, such as the Presidential election of 1896.

The London 2 p. m. quotations are posted in New York soon after 9 a. m., so the customer finds them there when he arrives at the broker's office. Formerly they had considerable influence on the opening at New York, but with the growth of the New York market and the great extension in the number of securities dealt in, London no longer has any great significance for us in this particular.

Arbitrage dealers watch London closely, but they get their own quotations by cable. Arbitrage means buying in one place and selling in another in order to take advantage of a difference in prices. There were formerly some arbitrage operations in stocks between American cities, and they still take place between Toronto and the New York Curb; but the term is almost confined to operations between New York and London, so far as stocks are concerned. In grain, arbitrage is constant between New York and Chicago, Chicago and Minneapolis, Chicago and St. Louis, etc., and it is frequent in cotton between New York and New Orleans.

The Wall Street ticker and news service has come to stand for "gambling" in the minds of many people, and there can be no doubt that it does tend to encourage operations in stocks, grain and cotton which are gambling in the sense that the would-be speculator is taking a chance on something he knows little about. As usual in such matters, a certain class of short-sighted reformers think the remedy lies in taking an ax and breaking up the tickers.

But the whole question goes deep into our economic and business system. In fact, it reaches back to the very foundation of our Government itself. If we still believe it to be a self-evident truth that the right to life, liberty and the pursuit of happiness is really "inalienable," we can hardly forbid our citizens to operate or read tickers, or to buy and

sell any legitimate article that they want to buy and sell.

The legal principle that certain acts may be prohibited as "contrary to public policy" has been mightily stretched in recent years, but it hardly covers establishing guardianship over persons, otherwise legally competent, who cannot tell which way the market is going.

Our economic system is haphazard enough and the improvement of it is a consummation most devoutly to be wished, but that is not to be safely accomplished by the light-hearted destruction of methods developed by many years of experience to meet conditions as they now exist. Until we can plan something better to take the place of the ticker and all it represents, we must perforce let it continue to tick.

(To be continued)

Conservative Bond Investments

Interesting proof of the popularity of good bonds, even in the face of a tremendous aggregate of stock transactions, is the figure of \$799,404,000 par value of bonds dealt in from January 1 to October 3 on the New York Stock Exchange alone. This is \$180,040,000 greater than the transactions in the same period last year. Similar reports of greatly increased demand, even to the point of "not having enough to supply the demand," also come from practically all dealers in strong unlisted bonds.

Naturally there has been an increasing firmness in prices, the average running several points above the same period of last year, and the variations between high and low of the year proving considerably less than at any time in recent years.

Nevertheless, the careful bond buyer has plenty of opportunity at the present time for safe investments with satisfactory yield. Many bonds have neither recovered in price from the steady selling from abroad, nor yet appreciated in value in proportion to the substantial increases in assets and earnings of the particular industries issuing the bonds, and the general expansion and improved condition of business generally.

The wise investor with money in hand will select safe bonds now, preferably with the advice of some substantial investment house, and make his purchases at present prices. The main thing is to keep your money earning a satisfactory yield, with safety of principal. Price fluctuations which the speculator in stocks waits for do not occur, except fractionally, in the best bonds, particularly in a market like the present. Fractional savings in price are likely to be more than eaten up by loss of earnings while waiting to buy, while the chances are that good bonds will steadily appreciate rather than weaken in price.—*Leslie's Weekly*.

RAILWAYS AND INDUSTRIALS

Chain Store Stocks as Peace Investments

Four of the Newer Chain Store Companies—Pugh Stores, Acme Tea, S. H. Kress and Jewel Tea—Their Earnings and Futures

By LESTER L. FREUND

WITH rumors of peace rife, it behooves the investor to consider generally what effect peace is likely to have on investment values and particularly what securities are likely to be favorably affected, or at least will not be disturbed by the advent of peace. Among such securities those representing the so-called chain stores stand out prominently. In times past THE MAGAZINE OF WALL STREET has devoted considerable space to the consideration of this industrial group so that our readers are now familiar with the chain-store idea and the particulars of the development of the old-line companies.

The theory of the chain store idea is the theory of "quantity production" as illustrated by the porphyry mining companies, or the "quantity turn-over" of any large business which makes small profits per unit but large profits in the aggregate. That idea has come into great prominence of late—especially in the case of the automobile companies manufacturing the so-called "cheap" cars. Among the old-line chain store companies, Woolworth, Kresge and McCrory have demonstrated the chain store principle to the great satisfaction of those stockholders who were fortunate to be in early and who had the patience to stick to their holdings. The chain store business is self-propagating. Each year, under the proper management and development, it reaches out, opening new stores in new territory. And as a company becomes increasingly greater, as its sales expand its power to buy in larger quantities at lower and lower prices, increases accordingly and profits grow in much the same ratio.

A decade ago the United Cigar Stores Co. started on a capital of \$900,000 which it expanded into a capitalization of \$31,700,000. Each \$1,000 invested in the stock of that company is now paying \$8,640 in annual dividends and is worth, at present market prices, approximately \$122,500. The same amount invested in Sears, Roebuck stock—in 1906 the company offered its stock to its managers at \$16 a share—would be worth now about \$13,000. In the last eight years that company has earned more than \$53,000,000 and in addition to paying 7% per annum on its common, has declared 100% in stock dividends on the common since 1910.

Among the chain-store companies which have come into the financial limelight recently, might be mentioned the Pugh Stores, Acme Tea, S. H. Kress and Jewel Tea companies. It is the purpose of this article to consider these concerns, their past and present standing and their prospects.

Pugh Stores Company

This corporation is mentioned first because it is the newest comer. It was incorporated in February, 1915, for the purpose of owning and operating a combination of 1,000 chain stores supplying merchandise of all kinds to the twelve central Western states from Ohio to Nebraska, which includes the greatest productive and the greatest consuming district in this country. In addition the company operates a very large mail order business, the Pugh Terminal building in Chicago and the largest produce market in the United States.

There is \$20,000,000 of stock, authorized and \$12,281,950 issued, all of one class, par \$10, and no preferred stock or bonded debt. Five millions of stock is now being offered at par. James A. Pugh, president of the company which bears his name, estimates on the basis of the average net results of the stores now in operation and the Pugh Terminal Warehouse over a period of twelve years,

due course application will be made to list the stock on the New York and Chicago stock exchanges.

Acme Tea Co., Inc.

This Pennsylvania corporation was organized to take over the business of the Acme Tea Company, the original concern which operated 423 retail stores in Philadelphia, Eastern Pennsylvania

PUGH STORES CO. BALANCE SHEET

Assets		
Current Assets:		
Merchandise at or below cost.....	\$1,275,327.00	
Notes and accounts receivable.....	117,680.80	
Cash on hand and in banks.....	4,004,105.58	
Securities of other companies.....	6,020.00	
		\$5,403,133.38
Buildings and Equipment:		
Terminal Warehouse	\$5,100,000.00	
Stores	544,854.64	
Real Estate, etc.....	287,000.00	
Furniture and Fixtures.....	8,758.60	
Leaseholds, Organization, etc.....	1,016,170.04	
		6,956,783.28
		\$12,359,916.66
Liabilities		
Capital Stock Issued:		
Pugh Stores Co. Capital Stock.....		\$12,281,950.00
Current Liabilities:		
Accounts payable	69,319.05	
Contingent Liability	8,647.61	
		\$12,359,916.66

that net earnings, after the investment of the proceeds from the sale of new stock, will be at least \$7,500,000 per annum, or more than 55% on the entire outstanding stock. After the sale of the stock now being offered, the company will have in net, tangible assets, exclusive of good will, trade-marks, etc., enough to cover the par value of the issued stock of \$12,281,950 and net current assets of more than \$5,000,000. Herewith we show the latest balance sheet.

The money obtained from the sale of new stock is to be used to purchase additional merchandise, increase the capacity of the company's warehouse, erect and equip produce buildings—in short to facilitate the development of the company's business. The company cannot issue bonds or preferred stock without the consent of 75 per cent. of its stockholders. It is stated that in

and New Jersey. These stores sell coffees, teas, spices and groceries and maintain in connection with the retail stores wholesale departments and a modern bakery. The bakery supplies the company with all the bread it retails, and is the largest of its kind in the United States. The company is the development of an idea, one of those ideas such as Mr. George Whelan had when he conceived the theory of the United Cigar Stores Co. and Mr. Sears had when he founded Sears-Roebuck & Co. The concern we are considering was established by Mr. Thomas P. Hunter in 1885 on a few hundreds of dollars capital and its growth is shown by the table herewith.

The company's capitalization consists of \$2,750,000 7 per cent. cumulative first preferred, \$500,000 7 per cent. cumulative second preferred and \$3,-

500,000 common stock. All pars are \$100. The success of this concern is due to the fact that it maintains a system of production in connection with its retail business, and deals only in staple products on a strictly cash basis. It gets the trade by good products sold at low prices, and makes its large profits from small margins of profits on a large turnover. The table published

GROWTH OF ACME TEA CO.

Years Ended	Stores	Sales	Net Profits
July 3			
1911	243	\$8,098,760.99	\$210,514.94
1912	258	8,729,796.72	336,484.00
1913	273	9,853,628.18	524,639.14
1914	299	10,740,218.81	541,372.83
1915	416	13,321,365.72	438,005.86
1916	423	16,000,000.00	*650,000.00

*Estimated

herewith shows that net profits applicable to the first preferred dividends, increased from 7.6 per cent. in 1911 to 23 per cent. in 1916, a gain of 208 per cent. Net tangible assets, exclusive of good will, trade-marks, etc., are substantially in excess of the amount of first preferred outstanding and the corporation has net quick assets of more than \$1,000,000.

S. H. Kress & Co.

S. H. Kress belongs to the five and ten cent and twenty-five cent stores classification and operates a chain of 124 stores situated in the South and the southwestern part of the United States. President Kress has stated concisely and simply the beginnings of a great enterprise:

"I started our first five and ten cent store in Memphis, Tenn., in 1896. In the early days of the business my two brothers, C. W. and R. H. Kress, at present respectively vice-president and treasurer of the company, joined me. At present we operate 124 stores, situated mainly in the Southern and Southwestern portions of this country. We employ about 4,000 persons. A Kress store once established has never been discontinued. Our business is conducted on a strictly cash basis, and we, therefore, have practically no losses from bad accounts."

The capitalization consists of an authorized \$5,000,000 7 per cent. cumula-

tive preferred, \$4,000,000 outstanding and \$12,000,000 authorized and issued common stock, the par of both classes being \$100. Sales and profits for the last three years have been shown in the tabulation which we publish.

S. H. KRESS' SALES AND PROFITS

	Sales	Profits
Year 1913.....	\$10,776,597.26	\$1,082,413.93
Year 1914.....	11,897,989.30	1,064,383.79
Year 1915.....	12,429,590.02	1,063,066.80

There is no bonded debt and the present net, tangible assets total more than \$4,000,000 in value. Sales for the current year to date are running about 25 per cent. ahead of those for 1915, and it is expected that the year as a whole will show a substantial increase over the last two years.

Jewel Tea Co., Inc.

One wagon and \$700 was the beginning of the Jewel Tea Co., Inc., and the wagon, which began its peregrinations in January, 1899, has never stopped since. In 1904 the company was incorporated under the present name with a capital of \$25,000. In 1906 a stock dividend of \$75,000 was declared and another of \$400,000 in 1910, bringing the total capitalization up to \$500,000. When the organization was re-incorporated into its present form the net tangible assets, totaling \$3,800,000, represented accumulated profits, and at that time \$1,000,000 cash was put in, making net tangible assets approximately \$4,800,000.

The business of this company is selling coffee, tea, baking powder, soap and similar articles to consumers from wagons which follow regular routes. From the headquarters in Chicago, the goods are shipped directly to about four hundred "branches" from whence the company's wagons operate. At the present time these wagons cover about ten thousand routes and do business in nearly all of the principal cities from the Pacific Coast to and including the eastern States, excepting New England. The company has more than 1,000,000 customers.

Jewel Tea's capitalization consists of

\$4,000,000 7 per cent. cumulative preferred stock, authorized and issued, and \$12,000,000 common stock authorized and issued. The par of both stocks is \$100. There is no mortgage or funded debt. Sales and net profits for the last two years have been as shown in the tabulation herewith.

their success has been based upon a multiplicity of operation, large turnovers with small profits per unit and business conducted on a cash basis. Each year sees a further extension of the chain of their operations and there is no reason why they should not continue to expand. Inasmuch as

JEWEL TEA'S SALES AND PROFITS

	Sales	Net Profits
Year ended December 31, 1914.....	\$6,313,287.06	\$941,672.39
Year ended December 31, 1915.....	8,184,548.21	1,464,273.38

One of the points made in connection with this concern is that the company has never withdrawn from any city where once it has started to do business and has not failed to operate profitably in any such city. The recent new financing was with the purpose of enlarging operations to include New Jersey and the New England States.

Conclusion

The stocks of these four companies are worthy of consideration by investors. As will be seen by the foregoing

these companies deal with staples and necessities they are as near "panic-proof" as might be reasonably expected. Their securities are not directly affected by war and may, therefore, be properly classed as "peace stocks."

The purchaser of such securities should not buy with the idea of quick profits but with the intention of awaiting their slow but steady appreciation through the expansion and growth of the companies of which they are representative.

Paying a National Debt

It is a habit with certain individuals who sometimes pose as mining experts to refer to the reserves of a mining district, or even of a single deposit, as being sufficient to pay off the national debt of this or that country. Usually the country specified is the one where the patter is to be used as a solvent to loosen up the cash of "tight-wads," since it is the latter class which hopes for big profits. The glamour of the phrase certainly appeals to the imagination; and a mining man without imagination is an ordinary plodder. By stimulating the imagination, a mental picture may be built up in pyramidal form, with silver bullion topping copper ingots and surmounted in turn by smaller but more attractive gold bricks.

But there is another kind of national debt which cannot properly be measured by any monetary standard. Each nation has a debt of honor and of respect always due and always payable to other nations and a debt of self-respect and protection to its own components. Although a monetary national debt may be, and usually is, refunded and increased or even at times successfully repudiated, the moral debt must constantly be paid or the nation ceases to exist. In some instances the moral debt of one nation to another may be converted to a monetary equivalent or substitute, with or without the accompaniment of force in the process of collection. But the entire fabled pavement of hell, figuratively, conceived as a mineral deposit, would not suffice to pay the moral debt of a nation untrue to itself.—*Engineering and Mining Journal*.

"Big Four" Railroad

An Analytical Study of This Property—Its Present Position and Prospects—Outlook for Its Securities

By MEREDITH C. LAFFEY

WHILE sharp recoveries in railroad earnings have been almost universal during the past year, such a transformation as has occurred with the Cleveland, Cincinnati, Chicago & St. Louis is most exceptional. This big subsidiary of the New York Central reported an aggregate deficit of \$4,635,000 in 1913 and 1914 while, at present, earnings are running at the rate of about 18% on the common stock. With such sharp contrasts in earning power before us, it requires some careful analysis to determine with any degree of accuracy the investment value of the company's securities which show apparent inconsis-

owned. Of the owned mileage 427 miles are double tracked. Ten years ago there were only 218 miles of double track lines. In time probably the entire line from Cleveland to St. Louis, about 550 miles, will be double tracked. On the main line, rail weights average 81 pounds to the yard, and the construction is of substantial character.

Equipment

During recent years, the company's equipment has not been adequate for its needs, the debit balance for equipment hire having risen as high as \$1,706,000 in 1914. In 1915, it dropped to \$556,184, due to heavy purchases. In 1914, rolling

Table 1
"BIG FOUR" EARNINGS

Years Ended December 31	1916	1915	1914
Gross Operating Revenues.....	\$45,000,000	\$38,364,086	\$35,365,690
Maintenance of Way.....		4,417,348	4,740,009
Maintenance of Equipment.....		7,487,072	7,713,041
Transportation		13,709,987	14,582,391
Total Operating Expenses.....	29,475,000	27,528,367	28,954,969
Net Operating Rev. Less Taxes.....	\$14,000,000	\$9,314,103	\$4,878,730
Operating Ratio	65.5%	71.8%	81.9%
Other Income	1,400,000	1,134,835	933,198
Total Income	\$15,400,000	\$10,448,939	\$5,811,928
Fixed Charges	6,860,000	7,055,345	7,785,615
Surplus	\$8,540,000	\$3,393,594	Def. \$1,973,687
% on Preferred.....	85.4%	33.9%	.....
% on Common.....	18.1%	6.2%	.....

tencies as regards yield and relative security.

The lines of the company radiate from Indianapolis as from a hub, and extend to Cairo, Ill., St. Louis, Peoria, Chicago, Benton Harbor, Mich., Cincinnati, Louisville, Toledo and Cleveland. In addition, they pass through Dayton, Springfield and Columbus. The road may, therefore, properly be considered as serving a highly developed territory, and reaching nearly every important point therein.

The Big Four operates 2,384 miles of road in all, of which 1,687 are directly

stock costing \$4,860,000 was acquired; in 1915, \$2,162,050 worth, and to date in 1916, over \$2,000,000 worth.

This new equipment will result in reduced debit balances in future, but of course entails additional charges for equipment note interest and maturities. The following figures show the failure of equipment to keep pace with the company's business:

	1905	1915
Locomotives	558	583
Passenger Cars	474	458
Freight Cars	22,160	18,141

The amount of mileage operated with this equipment is not greatly changed over that of 1905. While there is of course an increase in the capacity of locomotives and freight cars, an increase in number as well was to be expected.

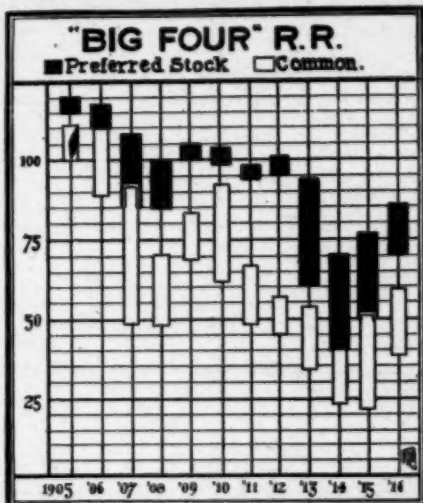
Tonnages Handled

In point of tonnage, mineral products, principally bituminous coal has become of increasing importance, advancing from slightly less than half in 1909 to over 55% of the total in 1915. Manufactures account for about one-fifth of the tonnage but, of course, contribute a much greater proportion to gross earnings. It is in these two classifications, products of mines and manufactures, that the great expansion of traffic has taken place. Slightly less than one-half of the Big Four's business is original. The proportions of original traffic extend quite evenly to the different commodity classifications except for forest products, of which only about one fifth is original. The average ton mile rate of 5.57 mills is rather low and makes operation at a profit difficult when traffic falls off. The advances made in the 5% Rate Case Decision have brought some relief, however. In 1914 the average ton mile rate was 5.31 mills or 4.9% less than in 1915. There was very little variation in the proportion of each commodity carried and the average haul rose from 169.4 to 173.3 miles. The improvement of nearly 5% in the ton mile rate may, therefore, be taken as almost entirely due of the rate advances granted by the Interstate Commerce Commission and the State of Ohio.

Freight and Passenger Density

Passenger revenue on the Big Four amounts to about 22% of the total and moves at about the average rate, two cents per mile. The New York Central's through passenger traffic between the east and Columbus, Cincinnati, Indianapolis & St. Louis runs via the Big Four. Commutation business has shown recent expansion, and more than one eighth of the passengers carried in 1915 came under this head. This is an indication that the growth of the larger cities along the line is leading many of their citizens to seek the suburbs. Commutation business will doubtless continue to expand.

The traffic density of the Big Four is rather heavier than the average for rail-



roads in this territory but does not approach that of the Panhandle, Grand Trunk Western or the Chicago & Erie (Erie R. R.), but of course the two latter are almost entirely main line. For the year ended June 30, 1915, the traffic density of the Big Four and the average of roads in this section compare as follows:

	Big Four	Average
Freight Density	1,877,225	1,505,959
Passenger Density	177,363	133,397

In gross earnings per mile, the Big Four has made the following progress:

1900	\$8,888
1905	11,353
1910	15,349
1915	16,085
1916	19,000

Between 1910 and 1915, there was a lapse of growth largely due to conditions peculiar to this road, while the big jump in the current year just about brings the results up, for the five-year period, to the rate of expansion formerly experienced. Yet this cannot be taken as a reason for believing in the permanence of the present rate of business. In part it is normal growth, but in part it is the result of unprecedented industrial activity. The company's ability to efficiently handle a heavy volume of traffic has, however, been thoroughly demonstrated this year.

Dividends

From 1891 to 1912, the Big Four paid the 5% dividend on its small preferred stock issue regularly and the dividend became considered as such a fixture that the stock sold up to 121¾ in 1905. Common dividends were intermittent, ranging from nothing to 4%. Between 1909 and 1912, fixed charges were earned from 1.28 to 1.57 times, and preferred dividends were earned from three to five times over. Transportation costs were high, about 40%, and working position moderately good. In short, the bonds appeared safe, if not abundantly protected, and the preferred dividend assured.

the support of the strong Lake Shore & Michigan Southern.

As of December 31, 1914, the Big Four had a net working deficit of nearly \$8,000,000, or just about equal to the floating debt, made up principally of demand notes in favor of the Lake Shore & Michigan Southern. In addition, advances to the company were made, probably entirely by the New York Central, and the amount of non-negotiable debt to affiliated companies stood at \$5,138,966 as of December 31, 1915. The working deficit had been brought down to \$3,479,512 during the year. The balance sheet was in a very unsatisfactory condition by the end of 1914 and it is the obvious

Table 2
"BIG FOUR'S" CAPITALIZATION

	Total	Per Mile Owned
Bonds and Equipment Notes.....	\$100,527,799	\$55,419
Preferred Stock	10,000,000	.....
Common Stock	47,056,300	31,454
	<hr/> \$157,584,099	<hr/> \$86,873

Then came the disastrous Ohio floods, following the completion of a big program of improvement work. Not only was traffic demoralized, but a great amount of property was destroyed. During the two years, 1913 and 1914, heavy expenditures had to be changed to maintenance for repairing damage and operation was made abnormally expensive. The increase in the operating ratio may be considered as measuring in part the loss incurred.

	Per Cent. of Operat. Exp. to Gross	Indicated Loss
1912	74.5	.....
1913	84.5	3,384,000
1914	81.9	2,263,000
		<hr/> \$5,647,000

In addition, the loss and damage to equipment made it necessary to hire more cars from other lines, so that the increases in charges were nearly \$2,00,000. The final results were deficits of \$2,697,547 in 1913 and of \$1,937,687 in 1915. With a road in none too strong a position before these losses, bankruptcy would have been an unpleasant possibility had not the company been able to fall back on

propriety of improving it which prevented the declaration of dividends in 1915, in spite of a surplus over charges of \$3,393,000. To bring up current assets to a satisfactory amount, and wipe out these advances, something like \$10,000,000 is needed. A general idea of how far the current year's earnings will go towards bringing this about may be obtained from the estimated 1916 results in earnings shown by Table 1.

While it is impossible to estimate the year's results with any great degree of accuracy, there is every indication that both gross and net will break all records and put the company in such a position that common dividends, granting a continuation of good earnings, might conservatively be declared by the middle of 1917. Except possibly under the great volume of business now being received, it would be a very difficult matter to maintain an operating ratio of about 65%, particularly if wage costs are increased. But even with an operating ratio of 70% on \$40,000,000 gross, the net after taxes should be about \$10,500,000 and the surplus equal to over three times the pre-

ferred dividend requirement. The capitalization of the Big Four as of December 31, 1915, was as shown by Table 2.

Gross Earnings and Capitalization

The ratio between gross earnings and capitalization is not far from that prevailing on all roads of the country, but a high operating ratio in the past had made the return on capitalization small. The preferred stock issue is so small that the per cent. earned on it is misleading. For instance, in 1910, the company earned its charges only 1.28 times, but the surplus was equal to 14.8% on the preferred, which, taken alone, would make the preferred dividend appear very secure. It is probably due to misapprehension as to its real protection that this stock has sometimes sold above its true worth.

The Big Four has a number of underlying bond issues, secured by first lien on different divisions of the road. Practically all of them are very well secured and some of the best issues are obtainable at prices to net about 5%, making them most attractive. Present prices are as much as 20 points lower than those prevailing ten years ago. The Big Four General 4s and 5s, although secured almost entirely by second or third lien, also sell at prices to yield about 5%. Notwithstanding their better market and the fact that they are strengthened by being secured on nearly the entire property, it does not seem that the general bonds deserve to command prices which make their yield approximately equal to those of the good divisional bonds. A further inconsistency lies in the debenture 4½s of 1931 selling to yield 5.90%, while the preferred stock, of course junior thereto, sells to yield 6%. The common stock has fairly attractive speculative possibilities, but in the past there has never been a very large amount applicable to common dividends and it has a long way to go to become a seasoned dividend payer. A repetition of the Ohio floods in 1913 may not take place for a generation, but as a possibility it may have tendency to keep the

stocks a shade below the prices which they would otherwise command. In the case of the floods of 1913, things turned out much better than they might have. In the first place, the company had the strong arm of the Lake Shore to carry it over without bankruptcy, and secondly, the wonderful revival of traffic brought surplus earnings sufficient to wipe out most of the losses in one year. Just how great this revival has been may be gleaned from the statement that the year's indicated surplus of \$8,540,000 is slightly greater than the combined surplus of the four years beginning with 1909. Rate increases have aided in making such earnings possible.

Summary

To summarize, the Big Four has come through a difficult period in a way to exceed the most optimistic dreams of two years ago and the security holders may count themselves lucky, yet they should not look forward to an uninterrupted continuation of present earnings, which are due to a combination of unusually favorable circumstances. The preferred dividends might have been withheld until the flood losses were wiped out, but now that they have been resumed, their continuation seems quite well assured. With the tremendous development taking place in the Middle West, there will in future be more traffic to go around among the roads which have formerly had to compete for it. Another consideration is the likelihood of an ultimate merger of the Big Four, \$30,000,000 of whose common stock is held unpledged by the New York Central, with that road. Given a few years of good earnings the terms which the minority stockholders will be offered in consolidation will doubtless be very attractive indeed as compared with the low levels of 40 and 21, for the preferred and common stocks, respectively, to which they dropped within the last two years. Big Four stocks should be attractive long-pull investments when the trend of the market again warrants the purchase of securities.

The royal road to success in speculation is to treat it as a business

Railroad and Industrial Digest

Note.—The Railroad and Industrial Digest, Notes on Public Utilities, Oil Notes and Mining Digest, contain condensations of the latest news regarding the companies mentioned. The items are not to be considered official unless so stated. Neither THE MAGAZINE OF WALL STREET nor the authorities for the various items guarantee them, but they are selected with the utmost care, and only from sources which we have every reason to believe are accurate and trustworthy. Market commitments should not be made without further corroboration.—Editor.

RAILROADS

Atlantic, Gulf & West Indies.—Estimated earnings for year ending Dec. 31, 1916, amount to \$65 per share on common stock after deducting full \$5 dividend on the \$14,979,000 preferred.

Central Vermont.—Annual report shows income after all charges equal to almost 6% earned on the shares for year ended June 30. Loans payable to Grand Trunk, however, increased \$1,004,143, being \$7,718,085 June 30. Current liabilities that date exceeded current assets by \$8,738,596.

Chesapeake & Ohio.—Gross increase for fiscal year 1916 \$8,774,975 over 1915, or 22.24%, and gain in net operating income of 40.77%. Earned 10.96% on common stock with previous high record of 10.2% in 1910 on its then outstanding capital stock.

Denver & Rio Grande.—At the annual meeting Chairman Jeffery said the company is expecting delivery to begin immediately on more than \$1,000,000 worth of equipment ordered, consisting of 1000 freight cars and ten of the largest freight locomotives the company has ever ordered.

Erie.—Stockholders will be called upon, Dec. 1, to ratify company's contemplated plan to create large refunding mortgage. Now proposed to limit authorized issue under new mortgage to \$500,000,000. Erie has \$13,280,000 notes maturing April 1, 1917, toward meeting which a balance of about \$4,500,000 from sale of convertible bonds early this year is in hand. Also has a little more than \$31,000,000 underlying bonds maturing during or before 1920, and its equipment trust certificates mature at the rate of about \$3,000,000 a year.

Great Northern.—Report for year ended June 30 shows surplus after charges of \$27,600,614, an increase of \$6,982,344.

Illinois Central.—Declared a quarterly dividend of 1½%, payable Dec. 1 to stock of record No. 9. This increased annual dividend rate to 6%, and places stock on a quarterly instead of a semi-annual basis. Heretofore dividend has been at rate of 5% per annum.

Missouri Pacific.—There is shown for year ended June 30 a deficit after charges of \$1,340,000, a larger deficit by \$100,000 than was shown in the previous fiscal year. The reason for the increase in the size of the deficit is due to the fact that inasmuch as the property is now in receiver's hands, and the necessity of endeavoring to show interest charges fully earned no longer exists, more attention can be given to property needs, and a larger expenditure out of current earnings for maintenance is possible.

New York Central.—Surplus for the first eight months of 1916 amounted to \$29,579,707.

New Haven.—Earned largest gross earnings of its history in last fiscal year. Operations showed total gross of \$76,311,653, or \$10,932,389 more than in 1915 and practically \$7,700,000 more than in 1913, the best previous year. Total operating income was \$22,381,881, or \$3,879,800 more than in 1915 while gross income was \$28,841,112, a gain of \$4,483,979. Fixed charges increased \$2,476,193 over 1915, chiefly on account of increase in item of equipment hire, which was \$2,102,787 greater. Net income for the year was \$4,815,757, a gain of \$2,007,785.

Norfolk & Western.—Gross for year ended June 30 amounts to \$57,304,586 as compared with \$42,987,043 in 1915.

Northern Pacific.—Gross earnings for year ended June 30 showed a gain of \$12,767,578 over 1915, making up with more than \$3,000,000 over, the revenue loss of the two previous years.

Norfolk Southern.—Reports for year ended June 30, gross of \$4,352,643 as compared with \$3,625,662 in 1915; surplus after charges \$386,126 compared with a deficit of \$206,038 in 1915, showing a gain of \$592,165 in surplus.

Pacific Coast Co.—In the year ended June 30 gross earnings were \$7,212,557, the largest since 1913, and an increase of \$928,064, or 14.7%, compared with 1915. Net earnings of \$978,466 were also the largest since 1913 and represented an increase of \$298,046, or 43.8% over 1915. After meeting all charges and paying 5% on the \$1,525,000 first preferred stock and 4% on the \$4,000,000 second preferred the balance was equivalent to 5.22% on the \$7,000,000 common stock.

Rutland Railroad.—For eight months ending with August gross was \$2,652,365, net after taxes \$683,307, compared with 1915 gross \$2,274,300 and net after taxes \$683,307.

Rock Island.—Rock Island refunding bondholders' committee, and joint committee of debenture bondholders and stockholders, have reached agreement whereby first committee is to withdraw its proceedings to foreclose mortgage and latter committee is to revise its reorganization plan.

Southern Pacific.—Report shows for year ended June 30, the largest surplus earnings for dividends since 1910, being \$29,950,416, compared with \$19,630,595 in 1915, and with previous high record in 1910 of \$36,502,634.

St. Louis & San Francisco.—Reorganization, if affected, will date as of June 30, 1915,

and earnings for the last fiscal year have a direct application to reorganized finances. That they were sufficient, after a large increase in maintenance, to meet all charges on the old basis, with a margin of nearly \$1,500,000 holds out good prospects for securities to be issued under reorganization.

Texas & Pacific.—Report for the year ended June 30 shows earnings of 9.23% on \$25,000,000 income bonds, against 3.98% on \$24,987,036 previous year.

Western Pacific.—Minority bondholders will receive additional payment of \$10.80 on

each \$1000 bond, making to date \$350.80, while majority bondholders will receive \$355.10 on each bond. Commissioner Drull, who now holds \$411,278, has been given permission by United States District Court at San Francisco to go to Chicago, New York, London, Boston and Amsterdam to cancel bonds held in those cities.

Western Maryland.—Annual report for year ended June 30, shows largest gross earnings in history of the company. These amounted to \$10,930,369 and exceeded 1915 gross by \$2,246,910.

INDUSTRIALS

American Hide & Leather.—Preferred stock to get about 140 shares new stock for each 100 old in reorganization. New stock at 60 to 80 will equal 84 to 112 for old stock.

American Locomotive.—Has order from British government for 100 small locomotives for use in trench warfare.

American Malting Co.—About one-half of 6% first mortgage bonds have been exchanged for 5% first refunding bonds and owing to sale of several properties nearly \$500,000 has been accumulated in sinking fund to be used for retirement and cancellation of outstanding 6% bonds.

American Steel Foundries.—Average shipments of over 3000 shells per day.

American Shipbuilding Co.—Reports for year ended June 30 net earnings of \$1,643,646, compared with \$175,770 for 1915 and \$712,061 for 1914. The surplus amounts to \$579,307 or 7.2% on \$7,900,000 preferred stock.

Armour & Co.—Business for this year exceeds \$500,000,000. Previous year company earned 55% and paid 10%.

Atlantic Steel.—During eight months ended Aug. 31 earned surplus of \$436,718 over and above preferred stock dividend requirements.

B. & O. Chicago Terminal.—Report for year ended June 30 shows gross \$1,670,441 compared with \$1,591,417 in 1915. Net \$132,087 as against \$131,783 in 1915.

Bethlehem Steel.—New plant at Elizabeth N. J., rapidly nearing completion, to cost not less than \$2,500,000.

Boston Woven Hose & Rubber.—Volume of net business for year ended Sept. 1 shows \$6,101,462.

Cambria Steel.—Earnings at rate of close to \$2,000,000 per month or \$24,000,000 a year.

Chevrolet Motor.—Have orders for 11,000 cars for October delivery and 10,000 for November delivery. Sales are greater than production.

Colorado Fuel & Iron.—Reports for year ended June 30 net profit for dividends of

\$2,201,171. After deducting 8% for preferred dividends accruing during year leaves balance equal to \$5.96 per share on the \$34,235,500 common stock. Compares with a deficit of \$334,661 reported in 1915.

Crocker-Wheeler Co.—Declared regular quarterly dividends of 1½% on common stock and 1¾% on preferred, both payable Oct. 16 to stock of record Oct. 5.

Cuban-American Sugar.—Reports for 10 months ended July 31, net income \$8,593,916, surplus after dividends \$13,488,072.

Eastman Kodak Co.—Declared an extra dividend of 5% on common stock, payable Nov. 15 to stock of record Oct. 25, and regular dividend of 2½% on common and 1½% on preferred, payable Jan. 1 to stock of record Nov. 30.

Firestone Tire & Rubber Co.—Increase for year 1915-16 over previous year was 32%.

Ford Motor Co. of Canada.—Report for ten months, ended Sept. 30, shows profit of \$1,825,458 and balance of \$1,039,122.

General Motors Corp.—Authorized capital of \$102,600,000 is composed of \$82,600,000 common stock and \$20,000,000 non-voting preferred stock.

Hood Rubber Co.—Declared regular quarterly dividend of 1¼% on preferred, payable Nov. 1 to stock of record Oct. 27. Books closed Oct. 27; reopen Nov. 2.

Kelsey Wheel Co.—Declared initial quarterly dividend of 1¼% on preferred stock, payable Nov. 1 to stock of record Oct. 16.

Lackawanna Steel.—Earning at rate of better than 35% per annum on the \$34,750,000 outstanding stock.

Manhattan Electrical Supply.—New company capitalization \$1,500,000 first preferred, \$500,000 second preferred and \$3,000,000 common stock.

New York Shipbuilding Co.—Reports net earnings for year ended Aug. 31 of \$1,334,000. Equivalent to 28.5% on its capital stock.

Pennsylvania Rubber.—Declared dividends of 1¼% on preferred stock and 1½% on common, payable Jan. 1, 1917.

Reo Motor Co.—Declared regular quarterly dividend of $2\frac{1}{2}\%$ and an extra dividend of $7\frac{1}{2}\%$, payable Nov. 1 to stock of record Oct. 16.

Republic Ry. & Light.—For first eight months of the year gross was \$2,506,205, a gain of 31.87% over the first eight months of 1915, while net was \$1,076,999, an increase of 43.39% and surplus for the stocks \$521,168, compared with \$304,263 for the eight months ended Aug. 31, 1915, a gain of 71.29%.

Republic Rubber.—To increase its operating facilities and working capital Republic Rubber Co., of Youngstown, Ohio, has offered to its stockholders \$1,000,000 worth of common stock at par.

Sears, Roebuck.—Declared regular quarterly dividend of $1\frac{3}{4}\%$ on common stock, payable Nov. 15 to stock of record Oct. 31.

Studebaker.—Is spending but \$1,500,000 this year on new plant. Its sales have grown 250 to 300% in past five years, but plant account has grown only 20% during same interval.

Submarine Signal.—In year to end Dec. 31 will probably show earnings of slightly better than 15% on its \$1,679,750 stock. Expect directors will declare, the latter part of next month, a dividend of 3%—75c. per share—or the same rate as the May declaration. While the company has not announced any fixed policy with regard to dividends, the assumption is that the stock is on basis of 3% semi-annually. In the big navy building program, which has been adopted by the United States, lies important prospects for Submarine Signal Co. Already most of the ships of the navy are being equipped with the submarine signalling apparatus.

Swift & Co.—It is estimated it will take \$8,000,000 a year to pay dividends on the \$100,000,000 stock which Swift will have outstanding beginning next year. Net earnings last year probably amounted to over twice dividend requirements on the augmented capitalization, and in every year of the past five they have exceeded \$8,000,000. Thus the company's ability to earn safely the 8% rate on \$100,000,000 stock is not open to serious doubt.

Trumbull Steel.—Announced new stock issue of \$2,500,000 common and \$1,250,000 preferred to stockholders of record Oct. 9. Books open from Oct. 10 to Nov. 12. Proceeds of the issue will be used to build steel plant and provide working capital. New offer will give corporation one outstanding capitalization of \$9,250,000, of which \$4,000,000

will be preferred and the balance common authorized capital of \$10,000,000.

Union Bag & Paper.—In process of reorganization. Some \$27,000,000 of stock is being converted into \$10,000,000 stock of a new company. The old company had \$11,000,000 preferred and \$16,000,000 common. Under reorganization the present \$11,000,000 preferred gets \$8,000,000 new stock and the old common but \$2,000,000.

United Cigar Stores Co.—Net earnings for first eight months of the calendar year, which corresponds with the company's fiscal year, increased more than 50% over a year ago. Indications point to increase in gross for full year of \$4,500,000 to \$5,000,000.

United Motors.—Earning about \$15,000,000 a year, or at rate of about \$14 a share. Company is now employing almost 3000 men, compared with about 2000 at beginning of year, and more will be needed when new ball plant is completed.

United Paper Board Co.—Leeds Mitchell, a director, said recently: "Company is now, and has been for five months, earning at rate of \$120,000 a month net."

United States Steel.—Directors meet Oct. 31 to take action on dividends and make public the report of earnings for third quarter. Unfilled tonnage on Sept. 30, was 9,522,584 tons, a decrease of 137,773 compared with that on Aug. 31.

United Steel.—Was sold to Hornblower & Weeks, New York bankers, for \$16,000,000. Buyers will spend \$4,000,000 on improvements.

U. S. Rubber Co.—Declared regular quarterly dividend of 2% on first preferred stock and $1\frac{1}{4}\%$ on second preferred, payable Oct. 31 to holders of record at noon Oct. 14. No action taken on common dividend.

Westinghouse Electric.—Removal of convertible bonds from Stock Exchange list serves as reminder to holders of those bonds that, if they do not avail themselves of conversion privilege before Dec. 31, their bonds will be paid off at \$1050 and interest for each \$1000 bond.

Willys-Overland.—Directors decided to distribute cash dividend totaling \$1,140,000 on Nov. 1, payable to stock of record Oct. 21. Is virtually the same as a 3% quarterly dividend. Outstanding common is nearly \$40,000,000.

Woolworth, F. W. Co.—Sept. sales were \$7,348,418, an increase of \$1,424,286, or 24%.



Railroad and Industrial Inquiries

Amer. Locomotive

B. P. W., Marquette, Mich.—American Locomotive (83½) has taken munition orders for shipment during the current year amounting to \$41,642,905, and equipment orders on the company's books at the beginning of the year were \$19,376,532. Since July 1, the company has closed an order for 60 engines for Italy and 40 engines for various roads, so that it would be conservative to place new orders in equipment since the first of the year at \$9,000,000. This makes total business booked of over \$70,019,437. At least \$10,000,000 more should be added to this for business still to come.

U. S. Steamship

M. H., Louisville, Ky.—U. S. Steamship (7) was recently incorporated with \$25,000,000 authorized stock, par \$10, of which \$2,500,000 was issued. The company has closed several large shipping contracts, and is now operating a large fleet. Recently it chartered the S.S. Minnesota, one of the largest freight boats afloat. Mr. C. W. Morse is president. At present prices the stock can be regarded as an attractive speculation. Should the war last another year prospects are that it will go materially higher. A sudden ending of the war on the other hand, would probably cause a slump. The company is paying 1% bi-monthly.

P. Lorillard

C. W. J., Seaford, Del.—P. Lorillard (239) appears to have good possibilities as a semi-speculative investment, although the earning power the company has shown in the past would hardly appear to justify so high a price. The earnings of the company are reported to have shown great improvement so far this year. The company is in very strong financial condition with no less than \$24,643,783 working capital. It is in a position, therefore, to pay out practically all its earnings in dividends. The company's earnings since it was separated from the American Tobacco Co. have been as follows:

1915.....	18.05%	1913.....	21.66%
1914.....	16.03%	1912.....	21.14%
The company is capitalized as follows:			
Bonds			\$21,223,300
Common Stock			15,155,600
7% Pfd. Stock			11,307,600

The common stock of the company in the past few months has gone steadily upward from around 190. In view, therefore, of the fact that it has had nearly a 50-point rise, we hesitate to suggest its purchase at present levels, especially as it is impossible to get an official statement as to just how large earnings are now showing up.

Advance Rumley

S. C. D., Delhi, N. Y.—Advance Rumley (Common 14, Pfd., 33) has given out prac-

tically no information as to what progress has been made since the re-organization. Under the re-organization plan the company was supplied with plenty of money and in view of the fact that the harvester industry has been flourishing for the past several months, it would appear that the company should have done well. Until some official statement is forthcoming, however, we should be inclined to leave its stocks alone.

Kansas City Southern

S. T. A., Philadelphia, Pa.—Kansas City Southern (25) we regard as one of the most attractive of the low-priced rails. We are inclined to agree with you, however, that the railroad stocks as a class will not be given a very extended upward move, even though the general trend of the market is upward. The status of the eight hour day is still to be more definitely determined and, until it is, the public will not be inclined to follow an upward move. For the year ended June 30, 1916, this road reported net earnings of \$3,655,260, as compared with \$2,977,270 for the previous year. About 3½% was shown earned on the common stock for the last fiscal year.

Amer. Woolen

M. J. W., Atlantic City, N. J.—American Woolen Co. (47) is making very large profits at the present time, but what it will be able to do when the war is over and foreign competition again becomes drastic, is very uncertain. When the tariff was lowered on woolen goods, this company was badly hit. A glance at its past earning record does not tend to inspire confidence in this stock as a permanent investment. For the year ended December 31, 1911, 2.13% was earned on the common stock, 1912, 4.61% was earned on the common, in 1913 the company reported a deficit of \$3,477,685 after paying the preferred dividend. In 1914 the deficit after preferred dividend was \$11,398. Then the war came to the company's rescue. In 1915 10.8% was earned on the common, and it is quite likely that in 1916 earnings will be not far from 20%, on the common. American Woolen common is now paying 5%. Should the war continue through 1917, it would appear that a much higher price for the common stock is justified. We believe it is a stock which should be sold when it shows a good profit.

United Motors

T. M. S., Washington, D. C.—United Motors' earnings for 1916 it is estimated will reach \$11.50 per share on the stock. United Motors is a combination of several important automobile accessory companies whose real estate, buildings, and machinery are estimated to have a value of \$14,000,000. Its products are manufactured in 110 buildings with an aggregated floor space of 2,449,229 square feet, and employs 14,000, and there is an annual output of 28,323,000 assembled parts.

Every motor car in use is equipped with one or more of its products. As the production of motor cars is constantly increasing, there is every prospect that this company's gross business will continue to expand.

White Motors

B. H. B., New York City.—White Motors (56¼) we regard as attractive as any of the motor stocks available to the public. The company is capitalized with \$16,000,000 stock, par value \$50. There are no bonds or other indebtedness. For the year ended December 31, 1915, the company earned \$27 per share on its stock. These earnings were, of course, somewhat abnormal because of the large orders received from the Allies for trucks. Orders for trucks in 1916 have also been very heavy and it is expected that almost as good a showing will be made this year as in 1915. The company has net quick assets equal to \$22 a share. Dividends are now being paid at the rate of 87½c. quarterly, or \$3.50 per year. This company's products are very highly regarded in the automobile trade and we believe its future to be bright.

Am. Agr. Chemical

Z. D. W., Brooklyn, N. Y.—American Agricultural Chemical (80¾) for the end ended June 30, 1916, earned 20.57% on the common stock as against 10.97% the previous year. In the past three years, over \$5,000,000 has been put back into the property from earnings.

Intercontinental Rubber

D. M. E., Newark, N. J.—Intercontinental Rubber (14¼) has \$29,031,000 common stock outstanding, par value \$100. The company controls 2,000,000 acres in Mexico on which guayule shrub is raised. There is a factory which has a capacity of 1,000,000 lbs. of rubber a month, the rubber being extracted from this shrub. The revolution in Mexico interfered with operations to such an extent that in 1914 and 1915 practically nothing was earned. Previous to those years the company showed fair earning power as the following figures will show:

Year.	% Earned.
1913	0.40
1912	3.52
1911	8.79
1910	7.05

The company owns five steamships which are now making large profits carrying freight between this country and Europe. It is estimated that earnings from this source will equal close to 2% on the stock for 1916. The company, in addition, hopes shortly to start the operation of its Mexican properties. This will have to be on a somewhat reduced scale at first. The company is in good financial condition, with \$2,100,000 net liquid assets. At

present prices we regard this stock as having good speculative possibilities. Several well-known New York financiers are interested in the company, and the management can be regarded as first class.

Distillers Securities

S. M. A., New York City.—Distillers Securities (46¾) we are not inclined to favor for the long pull. The reason for this is that the company's earnings previous to the war were not sufficient to justify anything like as high a price as the stock is now selling for. The following table shows the earnings for the years ended June 30:

Year.	% Earned.
1916	10.60
1915	4.64
1914	2.28
1913	1.17
1912	1.62
1911	2.95
1910	2.40
1909	2.25

The company's earning power after the war may be somewhat better than in the past because it will be in remarkably fine financial condition, whereas before the war its financial condition was unsatisfactory, as it had a large floating debt. After the war the company will not be able to make its present large profits from the manufacture of alcohol, and there is no reason for any unusual increase in its whiskey business. The principal question is, will the company earn sufficient before the war is over to justify its present price, even though conditions after the war should be poor. It is expected that for the year ended June 30, 1917, the company will earn close to 15% on the common. The company's profits from the sale of Industrial Alcohol Co. and Cuban Sugar holdings, and from the purchase of bonds under par, is reflected in its improved financial condition. These profits are not included in current earnings. The company has wiped out its floating debt, and is in strong financial condition.

Stutz Motor

T. H. E., Zanesville, Ohio.—Stutz Motor (66¾) was incorporated in New York June 22, 1916, with an authorized capital stock of 75,000 shares of no par value, all outstanding. The company took over Stutz Motor Company of Indiana, manufacturer of the Stutz car. Output of this company increased from 266 cars in 1912 to 1,079 cars in 1915, and for the first five and a half months of 1916 produced 874 cars. At the present rate of output, it is believed that earnings for 1916 will be equivalent to \$10 per share on the outstanding stock. The company has no liabilities other than current bills.

BONDS *AND* INVESTMENTS

How to Select a Bond

What the Average Investor Can and Should Do

By WILLIAM T. CONNORS

TOM JONES, after the close of a successful business year, finds himself with profits of something over \$10,000. Being of a somewhat conservative nature he decides to put half of it into good bonds. How will Jones go to work to pick out the bonds?

Jones is often told to consult his bank or trust company or a bond house of established reputation. He should do that, certainly—but that is not all he should do. The bank or the bond house would very rarely advise him to buy any unsafe security.

But Jones is a business man. He has ordinary business sense. He doesn't want to buy a bond yielding $4\frac{1}{2}\%$ when there are good bonds to be had yielding $5\frac{1}{2}\%$. His bank or trust company is likely to be ultra-conservative in its recommendations. A bank cannot lose its reputation by recommending a $4\frac{1}{2}\%$ bond instead of one yielding 5 or $5\frac{1}{2}\%$, but it can lose a big slice of reputation if one single $5\frac{1}{2}\%$ bond goes wrong. It is to the bank's interest to recommend safe bonds regardless of yield.

Local Patriotism

I have had some rather amusing experiences along this line. I once consulted a big Chicago bond house about an investment. They recommended a Chicago street railway bond yielding about 4.3%. As a matter of fact, after payment of taxes on this bond, the return would be less than the money would earn in a savings-bank.

On another occasion I consulted the leading bank of a thriving Southern city about a 6% investment in a Northern state. The bank official classified the investment as speculative and suggested several local bonds of lower yield. I allowed myself to be switched off. Later I learned that it was the settled policy of the bank to "keep the money at home."

It was not thought to be good policy to advise investors to send their money out of town.

In the great majority of the smaller communities this idea of "keeping the money at home" is very strong. Also, the smaller bankers usually think they know more about home securities than they do about those of distant corporations. Perhaps so and perhaps not. The fact that the president of a corporation belongs to your lodge in the Elks doesn't necessarily prove that he is any more honest than some good Elk in a distant state.

There is always one objection to local securities, namely, that they hardly ever have as good a market as the bonds of nationally known corporations which are constantly being bought and sold in the big central markets.

As a practical mode of procedure, the most reasonable thing for Jones to do is to first find out some of the bonds of well known corporations which are available and what they yield; next to use his own judgment as to the best yield obtainable on bonds which look safe to him; and, finally, to get the views of several good bond houses on the securities he has chosen and to buy his bonds through one of those houses. It is only fair to give one of the houses the business after putting them to the trouble of supplying the information.

Listed Bonds

The active listed bonds have the advantage of always being readily saleable at a few minutes notice. When anywhere from 20 to 1,000 of some issues of bonds are being traded in on the Exchange every week, a close and ready market is pretty well assured.

It would, however, be a rather serious job for Jones to comb over the entire list of bonds, see what each one yields

and look up the security behind it. It would be useless for me to tell him to do that for he will not. He can, however, go over the lists of bonds which frequently appear in this and other publications and mark such as appeal to him.

He can also take an issue of *The Commercial and Financial Chronicle*, which is on file at all the big public libraries and in the offices of most brokers and bond dealers, and consult its record of bond sales. Or he will find similar tables in the week end editions of the *New York Evening Post*, *Times*, *Sun*, *Wall Street Journal* and other papers specializing in finance. He will find the bid and asked prices at the time of publication and the number of those bonds sold during the week. These will give him an idea of the closeness of the market and its activity. He will also find the range of prices for the week and for the year, the rate of interest, the date when the bond matures, and the months when the interest is payable.

Another convenient source of about the same information is the list of bonds in the *Investor's Pocket Manual*, for sale by THE MAGAZINE OF WALL STREET at 25 cents a copy, postpaid.

He also needs a table of bond values to give the yields. This will cost him only a trifle and every bond buyer should have one. It will be perhaps an hour's work for him to look up the yields of all the bonds actively traded in on the New York Stock Exchange. Where the bond is selling near par the approximate yield is seen at a glance without looking it up.

For example, last week there were sales of 118 one thousand dollar Union Pacific first lien and refunding 4s at from 91¼ to 91¾. In 1916 to date this bond sold from 89½ to 91¾, in 1915 84½ to 94¼. It is due in the year 2008, or in about 92 years. Referring to the bond table we find that this gives a yield of about 4.4%.

Jones sees at once that this bond has a good market, that the price fluctuations have been moderate, and that it is well thought of by investors generally, since otherwise it could not sell to yield such a low rate of interest. From the "Bargain Indicator" in THE MAGAZINE OF

WALL STREET, he sees that the smallest earnings on Union Pacific common stock in any year out of the last eight were 11% in 1915 and that it earned 15.65% in 1916. From the *Pocket Manual* or any other similar manual he learns that the company not only has \$222,000,000 common stock but also \$99,000,000 preferred, all of which of course comes after all the bonds in its claim on earnings. He does not need to dig further to find what the "first lien" is on, in order to satisfy himself that the bond is strictly high-grade.

Take another bond of a somewhat different class—with a view to showing in further detail just how Jones will go to work.

Last week \$269,000 Seaboard Air Line adjustment cumulative income 5s were sold at prices from 65 to 67½. In 1916 to date they sold from 64 to 70 and in 1915 from 59¾ to 72½. They mature in 1949 which makes the yield on them at a price of 67 about 7¾%. Fluctuations have not been abnormal, but the yield is extraordinarily high. Why is this?

Jones may not know just what an "adjustment cumulative income" bond is. In that case he will consult a standard reference book such as Montgomery Rollins' "Money and Investments,"* or ask his bond house or favorite financial journal. He will find that the interest on this bond is payable out of income "if, when and as" earned. If it isn't earned it doesn't have to be paid and the non-payment will not throw the company into the hands of a receiver. Also that, since the interest is cumulative, any payments that are missed must be brought down to date before any dividends can be paid on the Seaboard stocks. In other words this bond is substantially the same as a cumulative preferred stock, which has a claim on all earnings ahead of the \$31,000,000 non-cumulative preferred and the \$39,000,000 common stocks which are now outstanding.

Interest payments on the adjustment 5s have so far been regularly met, but if Jones considers buying the bond he will have to make up his mind whether they are likely to be met in future or not.

*Price \$1.10 post paid. For sale by THE MAGAZINE OF WALL STREET.

If he reads financial publications he probably knows something about the condition of the Seaboard. If not, he will have to inquire and read up on it.

The Seaboard was reorganized in 1915, chiefly because the war had demoralized the cotton market. A new voting trust was created last May, including some of the ablest financiers in Wall Street, to last five years. There are about \$123,000,000 bonds ahead of the adjustment 5s, and none follow them. From the Bargain Indicator we see that nothing was earned on the preferred stock in 1915 and 4% in 1916. The company is well managed and economically operated, its present business is increasing and cotton is now very high at 18½ cents a pound, although the crop is below normal. The South was hard hit by the war, but prosperity is gradually returning there. The demand for cotton is likely to be good after the war, which may not be true of some of our other products.

Jones may conclude that this bond is too speculative, or he may reason that the year which ended June 30, 1915, was the worst the company will see and that, since it was able to pay the interest on the adjustment 5s in that year out of earnings, it is practically certain to earn enough on the average (the interest being cumulative) to make the bond reasonably safe. His banker will advise against the bond and his bond dealer may or may not, according to his temperament and Jones' circumstances.

I have gone into these details in order to show the actual workings of an average investor's mind in selecting a bond. Of course I am not trying to treat the subject exhaustively—it would take a book to do that, and a fairly fat one at that.

New Offerings

Since the bond houses are in business to sell bonds, they are constantly advertising in the financial publications and issuing lists of new issues or of older listed bonds which seem to them especially attractive. Jones has only to answer a few of these advertisements in order to receive lists of what the houses have to offer.

One point should be noted here: Jones probably does not know the exact standing of all these bond houses. The leading financial publications do their best to exclude unreliable houses, but it would be impossible for any journal to guarantee against future depreciation all the bond offerings that appear in its columns. Hence, before actually buying a bond, Jones should get the opinion of his bank or of two or three bond houses whose standing is known to him. If he doesn't know any, this or other investment publications will gladly give him the names of several.

These bond circulars will give Jones a good condensed description of each bond offered, the security behind it, the junior securities—that is, those which rank below it in their claim on the earnings of the company—the recent results obtained from the company's operations, and the yield on the bond. This information is never guaranteed to be accurate, but, as a matter of fact, it is carefully prepared, and errors of any importance are exceedingly rare.

New Bonds

If a new bond is so prominent that it is sure to have a good market after it has been absorbed by investors, it is generally a better bargain than an older listed issue, because the quantity for sale at the time of the offering is greater in proportion to the demand that it will be later. This applies to the bonds of the big railroad, industrial and public utility corporations. The bonds of smaller enterprises may have a good market temporarily but lose it after they have all been distributed to the "ultimate consumer"—the private investor.

In the case of trust funds or other investments which are pretty sure to be held permanently, this matter of a good market is not so important, but the average private investor cannot afford to ignore it since he never knows whether circumstances may not later make it advisable for him to dispose of his bonds.

In another article I will take up in a somewhat broader way the general principles by which Jones should be guided in selecting his bond.

(To be concluded)

Bond Inquiries

Five Bonds

M. H. B., East Hampton, Conn.—We regard the Virginia Ry. & Power Co. 1st and refunding 5's, 1934, as an attractive investment, although not the highest grade public utility bond. Bonds are secured by first mortgage, and practically the entire railway system of the company in Richmond and Petersburg, Va., comprising 112 miles of track and is subject to but \$17,000 prior liens. The earnings of the company from 1911 up to the present year show that the company has earned its fixed charges from 1.51% to 1.77% times over.

Central Illinois Public Service Co. 1st and refunding 5's, we do not regard with quite the same favor as the Virginia Railway & Power 1st and refunding 5's. However, there is a wide margin of earnings over interest charges, and we believe the bond to be safe.

Ft. Dodge, Des Moines & Southern R. R. Co. 1st 5's. These bonds are secured by the first mortgage on 129 miles of trolley track, electric lighting plans in seven different towns and all other property of the company. The company owns in fee over 99% of its right of way, and the replacement value of its property is said to be largely in excess of its outstanding bonds, while its earnings for the past three years have been several times its total interest charges.

Southwestern Power & Light Co. 1st lien gold 5's, of 1943. These bonds are secured by the properties of eight subsidiary companies, controlled by the Southwestern Power & Light Co., together with pledge of the entire stocks and bonds of the subsidiaries and further by additional collateral, amounting to \$14,000,000.

It is true that in this case the different companies operate in sparsely settled sections, but the earnings in 1914 were sufficient to pay the interest on the outstanding bonds 10.77 times and in 1915 7.76 times.

American Public Service Co. 1st lien 6's of 1942. We would hesitate to say that these bonds do not form a good investment, but their security rests upon the ability of three small subsidiary companies of the American Public Service Co. to earn the interest charges of these bonds. Since their issue in 1912 the earnings of these companies have been ample enough to satisfy all the fixed charges and leave a fairly good margin. They are not to be considered as savings bank investments.

Chile Convertibles

R. H. G., New York City.—Chile Copper Convertible 7s (126%). While these bonds have merit and would undoubtedly appreciate in value owing to their convertibility, if the earnings of the company should come up to expectations, we nevertheless regard them as speculative. Fall in the price of copper would affect their value considerably in a normal market and, although these are short term bonds, it must be remembered that the life of any mining property is limited.

Toledo Gas Electric 5's

B. E., Lakewood, Ohio.—Toledo Gas, Electric & Heating 1st consolidated 5's. The price of this bond is apt to be affected to a small degree by the earning power of the company. The bond is a high-grade bond of permanent value and well secured. It has a high margin of safety and is rated as a sound investment. We see no reason why you should not hold the same for an investment with a perfect feeling of security.

Of course, if you have a good profit in these bonds and wish to reinvest in order to increase your income, it might be well to rearrange your investment.

Gulf, Florida, & Ala. 5's

B. F. A., Chicago, Ill.—Gulf, Florida & Alabama Railway 5% first mortgage bonds. The security back of these bonds is not of the highest order, and we do not recommend their purchase at the figure you mention. We think it will be a long time before the common stock of this company exceeds to any great extent the price of \$27.50 as suggested by you.

Am. Steel Foundries 4's

S. A. E., Germantown, Phila., Pa.—American Steel Foundries 4% debenture bonds. We do not think there is any immediate chance of this debenture going to par. At the moment we do not recall any 4% industrial debenture selling at par. If your object is to get a larger return for your money, we think that there are many good bonds of a slightly speculative nature which you could purchase with equal advantage.

Iowa Central 1st 4's

B. L., Wilkes-Barre, Pa.—Iowa Central first and refunding 4's. These bonds generally move more or less with the stock market. They are to be termed speculative bonds. The security is rated "fair" and the yield is nearly 7% disregarding the question of maturity. If we consider the question of maturity, the yield is nearly 8%. These bonds are not gilt-edge investments, but we do not see any reason why you should sell them at the price of 58 when you paid 65 for them. The Minn. & St. Louis Ry. Co., now the parent company guaranteeing these bonds, is expected to make a much better showing this year than last year and last year was an improvement over 1914.

Argentine 5's

H. N. W., Mobile, Ala.—We regard Argentine Government 5's as a good South American security, and should not hesitate to suggest investing in them. What fluctuations they will experience prior to the ending of the war, or thereafter, we cannot say.

PUBLIC UTILITIES

Ohio Cities Gas

Earnings From Oil Properties Now 59% of Total Against 39.06% for Year Ended March 31, 1916—A Holding Company Holding Stocks of Gas and Oil Companies—A 100% Appreciation in Value

By JEROME MAYHEW

TWO stocks that have been very active on the Exchange recently, but about which practically nothing was known by the rank and file of Wall Street until within the last month are Ohio Cities Gas and Columbia Gas & Electric. Both of them have had a most substantial advance and as a result the trading element is now not particularly well disposed toward them. The Columbia Gas & Electric Co. has already been analyzed in this paper and the possibilities in the stock were explained to our subscribers at a time when it was selling 15 or 20 points below the present level; that is, before the stock was listed on the New York Stock Exchange. In this article I propose to bring out the salient and important factors in the Ohio Cities Gas Co.

The stock of this company was listed on the New York Stock Exchange about a month ago. Previous to that time it has been quoted on the Columbus, Cincinnati, Louisville and Pittsburgh Stock Exchanges. It was incorporated in April, 1914, and is a holding company. The par value of the company's stock originally was \$100 per share, but in May of the current year it changed to \$25 per share. The old stock sold on the Pittsburgh Stock Exchange earlier in the year at 243 or on the basis of about 61 for stock of the present par value. In other words then the stock during the year has advanced about 25 points, or an advance of about 41%. The question as to whether the advance has run its course therefore is very pertinent at this time.

Originally a Public Utility

As a matter of fact, it is a very difficult matter to decide on this, as I will ex-

plain. Originally this company might have been considered as a strictly public utility enterprise as its subsidiaries supplied natural gas to such prosperous communities as Columbus, Springfield and Dayton, Ohio, and their suburbs. In fact, on March 31, 1916, the subsidiary companies had 96,560 gas consumers as against only 64,864 in 1915. They owned 1,063 miles of mains and served a population of some 410,000 people. On the basis of its public utility earnings there is no question but what the stock is not entitled to sell anywhere near its present figure.

In the last year or so, however, the company through its subsidiaries has discovered a number of very valuable oil wells and as a result the earnings of these subsidiaries have taken a tremendous jump. Naturally therefore the earnings of the Ohio Cities Gas Co. itself has shown a very substantial increase. It was as a result of the increase from this source that the dividend was increased to 10% on September 1 last, and recently an extra dividend of 5% was declared payable in December. As the company is still developing its oil properties there are possibilities of other rich wells being opened up, which would naturally result in further appreciation in the stock. It is evident then that at the present level the stock must be considered as carrying a fairly large speculative factor.

Its Subsidiaries

Table "A" shows the subsidiary companies of the Ohio Cities Gas Co. and the proportion of the capital stock of these various companies that the parent company owns. The gas properties in-

clude the Columbus Gas & Fuel Co. and the Federal Gas & Fuel Co. supplying the gas requirements of the city of Columbus, Ohio; the Springfield Gas Co., supplying with gas the city of Springfield, Ohio, and its suburbs; and the Dayton Gas Co., which does the entire gas business in the city of Dayton and contiguous territory. The oil properties are the Columbus Oil

authorized capital of \$20,000,000 5¼% preferred stock and \$20,000,000 common of which there was outstanding on July 31 last \$8,922,000 of the former and \$7,641,800 of the latter. As the table shows only three of the subsidiary companies have any bonds outstanding. These total only \$3,197,000, two of which are closed. Of the third the remaining

Table "A"
OHIO CITIES GAS SUBSIDIARY PROPERTIES

Company	Where Incorporated	Date	Par	Capitalization		Owned by Ohio Cities Gas Co. and Subsidiaries.
				Authorization	Issued	
Columbus Gas & Fuel Co.:						
Preferred Stock	Ohio	Feb. 23, 1906	\$100	\$6,000,000	\$6,000,000	\$5,952,800
Common Stock	Ohio	Feb. 23, 1906	100	3,000,000	3,000,000	2,998,950
Federal Gas & Fuel Co....	Ohio	Jan. 14, 1899	50	1,071,000	1,000,000	1,000,000
Springfield Gas Co.	Ohio	Mar. 8, 1849	25	610,000	590,000	590,000
Dayton Gas Co.:						
Preferred Stock	Ohio	Mar. 7, 1910	100	1,772,500	1,752,100	1,719,200
Common Stock	Ohio	Mar. 7, 1910	100	800,000	649,400	642,900
Columbus Oil & Fuel Co..	Ohio	Aug. 14, 1913	100	1,000,000	1,000,000	999,300
Columbus Producing Co...	W.Va.	Mar. 9, 1914	100	2,500,000	2,500,000	2,500,000
Boone Royalty Co.....	W.Va.	Oct. 23, 1913	100	25,000	25,000	25,000
Columbus Drilling Co.....	Ohio	July 24, 1915	100	30,000	30,000	15,000
Carmi Oil Co.	Ohio	Jan. 17, 1916	100	25,000	25,000	12,750

BONDS OF SUBSIDIARY COMPANIES

Company	Character of Bond	Date	Maturity	Capitalization	
				Authorized	Issued and Outstanding
Columbus Gas Co.					
First Mortgage	5% 40 Yr. Gold Bonds	Oct. 1, 1892	July 1, 1932	\$1,500,000	\$1,397,000*
Dayton Gas Co.					
First Mortgage	5% 20 Yr. Gold Bonds	Mar. 8, 1910	Mar. 1, 1930	1,500,000	1,400,000†
Springfield Gas Co.					
First Mortgage	6% 30 Yr. Gold Bonds	Jan. 1, 1896	Jan. 1, 1926	400,000	400,000

*The entire authorization of \$1,500,000 was issued, \$103,000 having been retired from proceeds from sale of real estate.

†Mortgage closed.

& Fuel Co., the Columbus Producing Co., the Boone Royalty Co., the Columbus Drilling Co. and the Carmi Oil Co. As the reader will note the Ohio Cities Gas Co. owns most of the outstanding stock of all of these companies. It owns only half of the stock of the Carmi Oil Co. and the other half is owned by the Columbus Oil & Fuel Co. practically all of whose stock the Ohio Cities owns. In other words then practically every cent of income from these companies accrues to the Ohio Cities Gas Co. As the parent company has no funded debt these earnings naturally all accrue to the stock.

The Ohio Cities Gas Co. itself has an

\$103,000 has been retired with the proceeds from the sale of real estate so that this also may be considered as closed.

The Public Utility Properties

The Columbus Gas & Fuel Co., the Federal Gas & Fuel Co. and the Springfield supply it with gas until 1934. It is estimated that this can be done for at least 25 years. The contract is on a sliding Fuel Supply Co. by which the latter is to field Gas Co. has a contract with the Ohio scale but the selling price is such as to allow a most substantial margin of profit. Thus the Springfield Gas Co. is now taking its gas close to Springfield at 17 cents

per 1,000 ft. and selling it at 30 cents per 1,000 ft. Three years from now it will pay 19 cents per 1,000 ft., but by ordinance the selling price is fixed for 35 cents per 1,000 ft. Obviously these figures show a good margin of profit. These three companies serve a total population of some 117,250 people. In the year ending March 31 last the Columbus Gas & Fuel Co. showed net earnings of only \$457,000 and reported a deficit of

company appears to be doing particularly well this year. In the seven months ending July 31, 1916, net earnings were \$81,487. On this basis the company should earn at least \$312,000. As it has the winter months ahead of it it will probably do better than this, and show earnings probably equivalent to about 3½% on the preferred stock of the Ohio Cities Gas Co.

A consolidation of the income ac-

Table "B"

OHIO CITIES GAS BALANCE SHEET JULY 31, 1916

Assets		
Property, plant and equipment.....		\$27,955.01
Securities owned of subsidiary companies.....		16,839,792.38
Current Assets:		
Cash	\$973,947.06	
Accounts receivable	46,249.14	
		<u>1,020,196.20</u>
		\$17,887,943.59
Liabilities		
Capital Stock:		
Common	\$7,641,800.00	
Preferred	8,922,000.00	
		<u>\$16,563,800.00</u>
Premium and discount on stock sold.....		312,589.94
Current liabilities:		
Accounts payable	\$101,493.03	
Accrued tax	12,342.97	
		<u>113,836.00</u>
Reserves		359,856.00
Surplus		537,861.65
		<u>\$17,887,943.59</u>

\$44,781 after dividends of \$420,000. It had, however, earned \$523,900 in the year previous and is expected to have a good balance for the current year. The Gas & Fuel earned \$125,429 in the year ending March 31 as against \$119,748 in the year previous while the Springfield Gas Co. earned \$109,794 as against only \$70,884 last year.

The Oil Properties

While the Columbus Gas & Fuel Co. is the largest gas property of the company the Dayton Gas Co. appears to be the most prosperous at the present time. This company of course suffered as a result of the great flood several years ago. For 1914, however, its earnings have amounted to \$204,434 and in the year ending December 31, 1915, it reported net earnings of \$232,396. This

counts of the gas companies indicates that the present dividend of 10% on the stock of the parent company is not well safeguarded. In fact, on the basis of the net earnings for the four months ending July 31 last the net earnings of the gas properties will hardly be sufficient to pay more than 5% on the common stock of the parent company. Nevertheless, these earnings do show that if the oil wells of the subsidiary companies continue to show up as well as they have for the last few months and as they promise to the company is well able not only to pay the 10% on the stock but pay substantial extras as well.

Oil Capacity

As table "A" shows all of the subsidiary companies in the oil business are of comparatively recent origin. The Co-

lumbus Oil & Fuel Co. has leaseholds on more than 60,000 acres of what the management believes to be probable oil territory in six counties of Ohio. Nine thousand acres are held by well royalty and 51,000 acres by rental at an average of \$1 per acre per year. Development thus far shows that 12,000 acres are proven territory. Most of this has yet to be developed. This company has 86 producing wells, 14 of which are now drilling. On September 1 it had a daily production of 700 barrels, which has now been increased to 900 barrels and which the management states should be increased to at least 1,000 barrels by the end of the calendar year. The company has a storage capacity of about 47,000 barrels of oil. The company produces oil of the Corning grade selling at \$1.80 per barrel and Pennsylvania grade at \$2.60 per barrel. As the company is now selling 900 barrels a day at these prices and as the Pennsylvania grade predominates it is obvious that this company's earnings are increasing very rapidly.

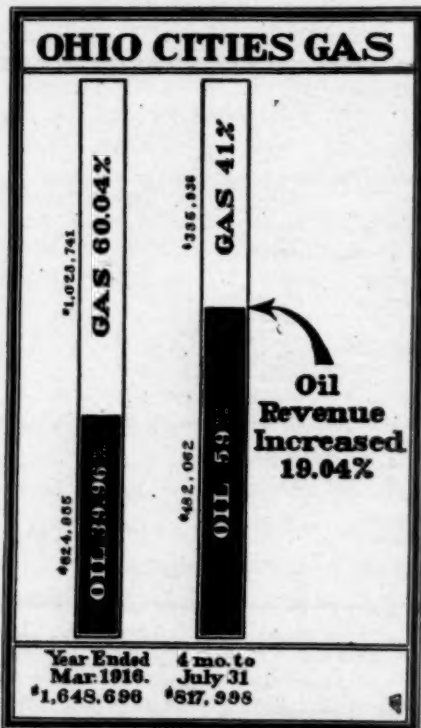
The Columbus Producing Co. leases approximately 75,000 acres in Boone and Kanawha County, W. Va., of which 25,000 acres is developed gas territory on which 19 gas wells have a daily open flow of 25,000,000 cu. ft. The management believes that 50,000 acres of this is probable oil territory. Thus far 4,000 acres has been shown to be proven territory. The 37 wells thus far drilled have been extremely profitable and despite the fact that the greater portion is yet to be drilled the production at the present time is close to 2,000 barrels. It is believed these wells have good staying qualities.

The company at the present time is selling 1500 barrels at a 10 cent premium above the price of Pennsylvania oil and storing the rest. Other wells are being drilled and it is expected that the company will have a producing capacity of around 3,000 barrels at the end of the current fiscal year. It has a storage capacity of about 65,000 barrels. In addition there is under erection a plant to abstract gasoline from casinghead gas. This should be completed by January 1 next and will have a daily capacity of about 500 gallons of gasoline. At the present time therefore these two com-

panies alone at the prevailing prices on oil are showing gross earnings of about \$5,500 per day with the prospect that these earnings will increase.

Smaller Subsidiaries

The Boone Royalty Co., the Columbus Drilling Co. and the Carmi Oil Co. are



of course very small companies. While their earnings are very substantial the companies are so small that their earnings in the aggregate do not add a great deal to the income of the parent company. It is interesting to note, however, that the net earnings of \$38,671 of the Boone Royalty for the four months ended July 31 last were \$13,671 more than its capital stock of \$25,000. It is very probable of course that this company henceforth will be of sufficient importance to probably add from \$100,000 to \$150,000 to the income of the parent company. The Carmi Oil Co. has under

lease about 20,000 acres of possible oil and gas territory in Vinton County, Ohio, and 150 acres of proven oil territory in the same state on which development is now taking place.

The graphic indicates how important a factor the earnings of the Ohio Cities Gas Co. the oil properties have become. As this shows net earnings from the gas property in the year ended March 31, 1916, made up over 60% of the total earnings of the subsidiary companies while the net earnings from the oil properties were less than 40% of the total net income. In the four months ending July 31 last net earnings of \$335,936 from the gas properties were only 41% of the total net income for this period, whereas net earnings from the oil properties were equivalent to 59% of the total net earnings. In other words then the oil properties have taken the position formerly held by the gas properties. To be sure these four months include the warm months during which the least amount of gas is used. Nevertheless, I have included in this the earnings of the Dayton Gas Co. for seven months. Moreover, judging from the results that the company is achieving in its oil properties and the amount of development work going on they are going to show still better results, and the proportion of earnings from oil to total net will probably show an increasing ratio.

Gross earnings of the Ohio Cities Gas Co. for the fiscal year ending March 31, 1916, were \$1,205,883. Operating expenses were only \$60,650, so that net earnings were \$1,145,232. After deduction of \$5,493 for interest there was a balance of \$1,139,739, the equivalent of 12.77% on the \$8,922,000 preferred stock now outstanding. After deduction of dividends on this amount of stock the balance of \$671,334 is equivalent to about 9% on the present \$7,641,800 common stock. This, however, must not be taken to indicate that the company cannot maintain its present common dividend. It has been since March 31 last that the biggest developments have come in its oil properties.

I understand that some time ago two members of large New York banking houses each purchased 5,000 shares of this stock after a very thorough investigation. They, however, purchased it previous to the most important oil developments and at a price which represented a profit of almost 100% to them at today's figures. The stock has now advanced about 10 points from its low price as quoted since it was listed on the New York Stock Exchange. In purchasing it today one must simply consider it an oil stock in which while there is a large speculative risk, there may still be further appreciation due to further oil developments.

We Must Work! Work! Work!

There is another habit that is not so prevalent as formerly—the habit of work. Those who made the American nation what it is today worked long and hard. The spirit of hard work now seems to be lacking and we hear constantly that eight hours or less work a day is all that a strong, healthy man should do. Where would the United States now be if our forefathers had been content with eight hours' work a day? Where will the United States be in the race for future commercial supremacy among the nations if this spirit continues? We have ships to build, railroads to develop, an army and navy to be manned, and countless tasks to perform. Every patriotic man should give the best that is in him, not the least, if we are to avoid serious difficulties at home and abroad.—*Remarks at Middlebury College by Howard Elliott.*

Notes on Public Utilities

American Power & Light.—Twelve months' gross ending with Sept. amounts to \$4,254,180, against \$7,707,073 in 1915. Net after taxes, for same period, \$3,846,905, as compared with \$3,522,065 in 1915.

American Telephone.—Annual report for year ended June 30 shows gross \$25,745,878; net after operating expenses, \$14,337,446; total net after deductions and other income, \$44,016,153; surplus after charges, \$36,816,696; total surplus after dividends, and reserve, \$4,041,459. The same figures for 1915 shows gross \$21,763,309; net after operating expenses, \$9,986,560; total net after deductions and other income, \$41,231,200; surplus after charges, \$32,941,576; total surplus after dividends and reserve, \$2,404,013.

Brooklyn Rapid Transit.—Passenger traffic on the lines operated by the New York Con. Railroad Co. as lessee of the New York Municipal Corp. under the dual system of contracts, compared for July, shows passengers carried in July, 1915, 17,722,877, and in 1916, 20,422,073, an increase of 2,699,196.

Commonwealth-Edison.—Proceeds of proposed issue of \$4,583,900 new stock to stockholders at par will defray cost of extension program. It is expected new shares will be issued as of Feb. 1, 1917, increasing stock outstanding by 10%.

Commonwealth Power, Railway & Light.—Declared regular quarterly dividends of $1\frac{1}{4}$ % on the preferred and 1% on the common stocks, both payable Nov. 1 to stock of record Oct. 20.

Cities Service Co.—Directors authorized issue of \$8,000,000 preferred and \$110,000 common stock for purchase of stock of Crew Levick Co., Ponca Refining Co., of Ponca City, Okla.; Cushing Refining Co., of Cushing, Okla., and Producers' Refining Co., of Gainesville, Tex. These properties will be subject to bonded indebtedness of approximately \$5,500,000. It is estimated that at present rate of earnings the par value of preferred now outstanding will be reinvested in the properties in seven years.

Consolidated Gas of Baltimore.—Has given formal notice that it will exercise right of redemption of all its outstanding preferred stock on April 2, 1917, at 120. After Nov. 17, 1916, and before April 1, 1917, it will also purchase all preferred stock tendered at 120 and accrued dividends to date of purchase.

Columbia Electric & Gas.—Gross earnings for Sept. were \$606,750; net earnings, \$269,645; surplus, \$24,259.

Edison Co. of Boston.—President Charles L. Edgar in annual report recently issued states that a special stockholders' meeting will probably be called at an early date to take action on increase in capital stock for additions to property. The income account

as of Sept. 13 shows 16% earned on present \$22,518,200 stock outstanding, compared with 14% on \$20,480,000 capital on June 30, 1915.

Iowa Railway & Light Co.—Reports for year ending July 31 gross \$1,470,894; net, \$605,787; surplus after charges, \$366,392; compared with 1915 gross, \$1,315,425; net, \$527,362; surplus after charges, \$302,249.

Kings County Electric.—Reports for nine months ended Sept. 30 shows gross of \$5,920,375; net, \$1,670,879; surplus after charges, \$1,096,325. Comparing with 1915, gross \$4,949,149; net, \$1,598,156; surplus after charges, \$950,079. An increase of \$971,226, \$72,723, and \$146,246, respectively.

Mass. Gas. Co.—Net earnings for six months ending Oct. 1, 1916, total \$653,533.

Massachusetts Lighting.—September net sales of the 18 gas and electric light companies owned by the Mass. Lighting companies were \$121,574, an increase of \$14,857, or 13.9 per cent, over the corresponding month a year ago. Total net sales for nine months ending with September were \$941,000, an increase of \$111,666, or 13.4 per cent.

Mackay Cos.—During the first six months of 1916 the land lines of Mackay Cos. consolidation operated at a profit, against a deficit in same period of 1915. Net earnings after all operating expenses during this period were \$53,282, against an operating loss in 1915 of \$96,140. A comparative improvement of \$149,422. The actual net, \$53,282, amounts to about one-tenth of 1 per cent. on the \$50,000,000 preferred stock of the present organization.

New England Tel. & Tel.—Reports to public service commission for year ended June 30 shows total operating revenue of \$19,592,816, net \$5,502,724. Gross income, \$4,782,437, net, \$3,840,352; surplus, \$594,277. This shows an increase over 1915. The 1915 figures are \$17,973,606 total operating revenue, net \$5,048,129, gross income \$4,224,628; net income, \$3,322,470; surplus, \$295,678.

Ohio Cities Gas.—Has listed on New York stock exchange 64,600 shares of preferred stock of an authorized issue of 100,000 shares, par value, \$100, and 244,360 shares of common of an authorized issue of 400,000 shares, par value, \$25. Preferred is $5\frac{1}{4}$ % per cent. cumulative issue. In year ended March 31, 1916, net earnings after charges, applicable to dividends, were \$1,139,738. In the four months ended July 31 net earnings were \$249,308.

Western Union.—Reports for nine months ended September 30, 1916, shows gross of \$45,751,067, against \$37,832,109 for 1915; an increase of \$7,918,958. Net after taxes, \$10,536,352, against \$7,888,961 for the same period in 1915; an increase of \$2,647,391. Surplus after charges, for the nine months, 1916, \$9,535,465, against \$6,886,545 of 1915; an increase of \$2,648,920.

Public Utility Inquiries

Mackay Pfd.

W. G. W., Richmond Hill, N. Y.—Mackay Company Preferred (68). We regard the stock as an excellent investment, its safety being assured by the wide equity in property and a wide margin of safety in earnings. We think at the present price, 68, it yields a good return. While Atchison Common, 86, is also a good common stock investment, your yield on Mackay Preferred is quite as high, considering the price of Atchison Common, and in Mackay Preferred, you have the additional safety that accrues to preferred stocks and we do not recommend an exchange at present prices.

Massachusetts Electric

M. L. K., No. Cambridge, Mass.—Massachusetts Electric. The company has been overloaded with the bonds of its 31 subsidiary companies in addition to a heavy capitalization. We think if you can get 13 for your stock at the present time, it might be advisable to sell. When the company is rid of its heavy fixed charges, the common stock should make a better showing, but we do not look for this for some years to come.

Col. Gas & Electric

J. D., New York City.—Columbia Gas & Electric. The company owns about 31,000 acres of oil and gas lands in Ohio, West Virginia and Kentucky in fee and leases about 800,000 acres in these states. It has 518 gas wells and 77 oil wells. Less than 47,000 acres of its lands are now being operated. It also holds gas franchises in 28 cities and towns and has two gas line extraction stations in operation and is building four others. It has 1,213 miles of pipe line and in 1915 produced 29,594,673,000 cubic feet of gas and 78,177 barrels of oil. For 1915 gross was \$3,235,813, net \$1,297,406, and surplus \$916,987. Gross for the seven months ended July 31, was \$2,406,798, an increase of 35.5% over the corresponding period of 1915, while net was \$1,422,099, an increase of 73.6%, and surplus after charges, \$1,154,993, a gain of 105%.

Indianapolis Water Works

A. E. C., Edgewood, R. I.—Indianapolis Water Works Securities Co. This stock is not listed in any exchange and inquiries in the New York market have failed to get us a quotation on the present selling price. The payments of interest on the preferred stock in recent years have been as follows:

	Per Cent.
1913	5%
1914	7
1915	7
1916 (first half year)	3½

The stock is 7% cumulative preferred both as to assets and dividends and is callable after

January 1, 1916, at 105 and accrued interest. The market for this security is extremely narrow, and while the company is now earning its preferred dividend, it is doing so on rather a small margin. We consider it is not a good "sure security for a woman," but a moderate security with a fair rating.

Northern Ontario Light & Power

J. T. C., Brooklyn, N. Y.—Northern Ontario Light & Power Co. serves a mining camp—Cobalt. Mining camps do not last forever, and a company of this kind should provide for the gradual retirement of its securities. Northern Ontario Light & Power is doing this, a sinking fund of 2¼% per annum began on the bonds January 1, 1912. On October 15, 1913, and annually thereafter, a further sum equal to one year's interest at 6% upon all the bonds redeemed for the sinking fund, to be used to retire outstanding bonds. The company is also setting aside a general reserve fund. In 1915, \$122,500 was placed to the credit of this fund. In 1914, \$100,000 was credited to it. This company is well established in its territory and has little to fear from competition, even though its franchises are exclusive for 10 years only. The bonds can be regarded as an excellent public utility investment. The 6% preferred stock is semi-speculative, but at present prices of around 63, it would appear to have good possibilities, in view of the fact that the dividend is being earned twice over.

Philadelphia Co.

K. A., Union, N. J.—Philadelphia Co. we regard as an attractive speculation. For the year ended March 31, 1916, the company earned \$6.38 a share on 858,860 shares of stock, par value \$50, as compared with \$4.78 earned on 787,000 shares the previous year. The outstanding stock was increased for the purpose of retiring notes. The excellent showing for the year was due not only to the increased business which came to the company from the great industrial activity Pittsburgh has enjoyed the past eight months, but also to a reduction of operating costs. The company has in recent years spent a great deal of money for improvements and betterments and its entire property is in excellent physical condition.

Federal Light & Traction

B. P. F., New York City.—Federal Light & Traction Pref. is a stock with some speculative possibilities. No dividends have been paid since September, 1914, and as present earnings are running at about the same rate as last year, it would not seem that dividends on the preferred will be likely to be resumed in the immediate future.

MINING AND OIL

Rise in the Standard Oils

Why This Class of Securities Has Shown Great Market Strength Recently—Stock Dividends Outlook—Market Position of the Standard Oils

By J. WM. SMALLWOOD

THE increment in Mr. Rockefeller's multi-millions has received such widespread publicity, that the recent boom in the Standard Oil stocks has probably received more attention than the rise in any other group of securities. The public may not like the "Oil Trust," but there is no doubt that it likes to read about its founder's untold wealth, and for this reason the movement of the Standard Oil securities is followed with unusual attention, even by that part of the public which has no interest in the stock market.

Tremendous Appreciation

The history of the Standard Oil group of stocks, ever since the dissolution in 1911, has been a tremendous appreciation in values, although the rising price movement has at times been interrupted by adverse factors in the oil trade and by developments affecting the security market in general. While traders in the Standard Oil issues have become hardened to violent fluctuations and enormous profits, barring the erratic price changes about the time that trading in these issues was inaugurated and little was known regarding the operations of the various companies, they have had nothing to arouse their interest more than the boom of the past two months, and the latest upward swing has probably been participated in more broadly than any of its predecessors. There has been a broader public interest in the market and there has hardly been a stock in the entire Standard Oil group which has not shared in the appreciation.

The latest upward turn started about the beginning of August, 1916, although it was actually only a continuation of

the movement which commenced about the beginning of August, 1915, and strange to say, the same month of the previous year, 1914, was the signal for the most radical drop to which this group of stocks has ever been subjected.

Previous to the most recent advance, news developments in the Oil trade for the year past had been of the most desirable character, from a stock market view-point, that is, prices for crude oil and refined products had been steadily rising, and the various companies were exerting unusual energy towards fulfilling the requirements of the consumer, but for some reason or other the market had become "stale"—it did not respond to favorable news, and then the unlooked for happened. Oklahoma crude oil prices began to tumble. To the close observer of oil conditions, this meant only one thing, over-production of crude oil. Naturally a considerable quantity of selling came into the market and the producing company stocks sold off sharply, but the decline hardly affected other issues, and after a brief setback the market started upward with renewed vigor. Apparently this new situation was just the thing needed to instill new life into the market, for its advance since that time has been spectacular.

Standard of Indiana

Standard Oil Company of Indiana has been the leader of the current market. Starting below \$400 a share in August, 1915, the stock of this company, which has the reputation of being the largest manufacturer of gasoline in the world, had succeeded in establishing a new high record of \$600, and at the beginning of August, 1916, was selling around \$585. From this point the stock jumped by

leaps and bounds until, before the close of September it had sold as high as \$805, an appreciation of over 100% within a year. The rise in this stock has been accompanied by vague rumors of a forthcoming stock dividend, or large extra cash disbursements, owing to the company's record breaking profits. But the principal buying of this stock, which at present pays a dividend of only 12% per annum, in the wild advance of recent months has probably been due to the forecast that the stock would not culminate its upward swing until it had established a price somewhere between \$1,000 and \$1,500 a share. Tremendous profits resulting from purchases of Standard Oil Company of Indiana stock had the effect of causing investors and traders alike to look for other Standard Oil securities with possibilities of appreciation in price, and buying shifted from one issue to another, with the result that most of the refining, producing and marketing company shares have established new high record quotations. The advance has been most rapid in the stocks of those companies with a modest capitalization and where there has consequently been a small floating supply of stock, but the gain in the securities of the larger capitalized concerns has also been surprising.

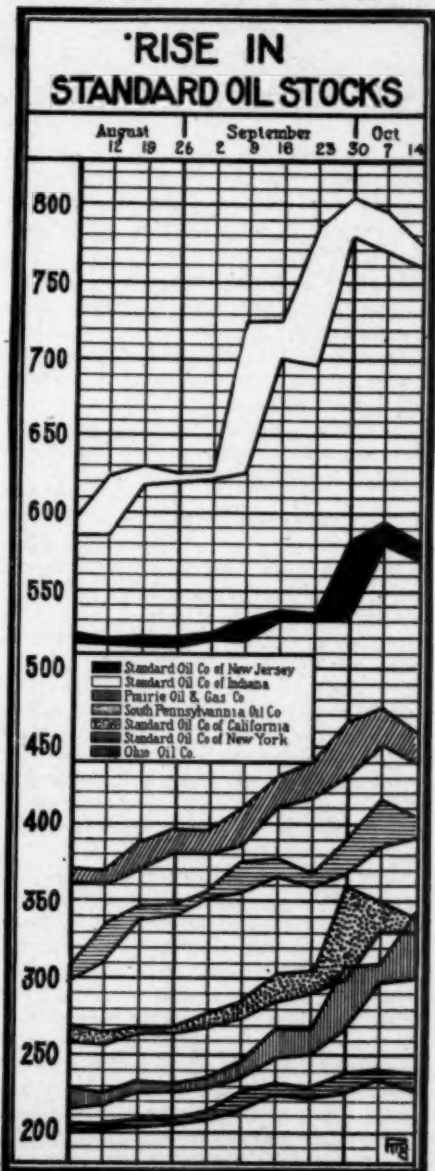
Standard of California

Of the larger companies, stock of the Standard Oil Company of California has been unusually active and strong. In April of this year the California Company distributed a 50% stock dividend, and previous to the time the new stock was issued the high price for the old shares had been \$390, compared with the price of \$270 for the old stock in August, 1915. The new stock started around \$232 and showed a gradual improvement until last August it was selling around \$260.

As a result of the recent tremendous demand for oil securities the new stock of the California Company has climbed up to \$360, almost as high as the old stock ever sold. It is just such instances as this that have served to whet the appetite of those who follow the oil market.

Standard of New Jersey

Standard Oil of New Jersey, with its \$100,000,000 of stock, has been somewhat slow compared with a number of its offsprings, but the stock of the former parent company also shows a large apprecia-



tion. Within little more than a year this issue has advanced from \$385 to above \$600, which is almost as high as Old Standard Oil Company of New Jersey sold before the dissolution, when it also represented the thirty-three subsidiaries, whose shares are now quoted separately.

Standard of New York

Standard Oil of New York has moved up somewhat, but this issue has not shared in the advance to the same extent as most of the other oil securities. However, its followers predict that it will sell much higher, owing to the company's reported large earnings and its prospects for expansion, both in its domestic and foreign trade.

Producing Companies

The shares of the producing companies are usually subject to the widest fluctuations, any changes in crude oil prices having a direct bearing upon earnings of this group of companies; the downward movement of crude oil prices last August resulting in these stocks declining to their low level for the year, but from this level they have shown a remarkable recovery. The Ohio Oil Company, with its surplus of over \$65,000,000, on a capitalization of \$15,000,000, attracts the most interest among the producing shares. In January, 1915, this company turned its valuable pipe line system over to the Illinois Pipe Line Company, and distributed the \$27,000,000 capital stock of the latter company to its shareholders in the form of a stock dividend. Previous to that time the high price of Ohio Oil Company stock was \$201; whereas its low price this year, minus the pipe line system, has been \$190, and it has recently sold close to \$400 a share. This stock is of \$25 par value, so that \$400 is equivalent to about 1600 per cent. This apparently excessive price is explained by the fact that for the past year the company has been paying dividends at the rate of \$24 per annum, or 96%, and there has recently been a good deal of talk regarding a readjustment of the capitalization, with a resultant stock dividend. South Penn Oil Company, another producer, has shown a recovery from \$308 since last August to \$440, which compares with its former high rec-

ord in 1914 of \$425. Prairie Oil & Gas Co. stock has moved up from \$360 to \$475.

Smaller Companies

Among the smaller companies, Chesebrough Manufacturing Company stock has shown the largest appreciation within the past year. This company's principal output is Vasolene and medicinal products, the name "Vasolene" being an exceedingly valuable trade-mark. Last June the company increased its capitalization from \$500,000 to \$1,500,000 and distributed the new stock in the form of a 200% stock dividend. Previous to that time Chesebrough old stock had moved up from \$650 to \$1025 in anticipation of the melon-cutting, and the new stock has since advanced from a low price of \$302 to \$480, equivalent to \$1140 for the old stock.

The stock of the Continental Oil Company, the Standard Oil Marketing Company in the Rocky Mountain States, has recently been one of the most active performers. From a low price of \$270 this year the Continental Oil Company stock has advanced to \$560, and 240 points of this gain has been recorded since last August. Borne-Scrymser Company stock, a \$200,000 lubricating oil company, has enjoyed an advance from \$275 to \$420 so far this year. Standard Oil Company of Nebraska stock has moved up from \$335 to \$540, the price of this issue having advanced 165 points in slightly more than a month. Standard Oil Company of Kentucky sold from \$335 to about \$660 this year, more than 200 points of this rise being scored in the course of a month, while Standard Oil Company of Kansas showed an enhancement from \$430 to \$560 in a little over two months time. Vacuum Oil Company stock has risen almost 100 points to 305, Solar Refining advanced 100 points in ten days and at \$410 showed a gain of 140 points from its low price of 1916.

Such movements as these make it easily apparent why Standard Oil Company of New Jersey, "All On"—stock of the New Jersey Company and all fractions in subsidiaries received as a result of the dissolution—recently sold above \$2,000 a share, compared with the price

of about \$650 for the old stock of the New Jersey Company in 1911.

While wild rumors have been circulated and the enormous advances in some cases have caused some uncertainty as to whether the improvement was fully justified, nevertheless the basis for the bull movement in the oil shares has been the unprecedented prosperity of the American oil industry. After a brief setback in crude oil prices, due to the threatened overproduction in Oklahoma, quotations for Pennsylvania crude oil have already begun to move upward, and a resumption of advancing crude oil prices generally is now anticipated. This situation only serves to emphasize the great demand for petroleum products at the present time, which is taking care of a greater production than this country has previously been able to turn out.

Why the High Prices?

Oftentimes the question is asked as to why the Standard Oil stocks today are worth so much more than they were at the time of the Standard Oil dissolution in 1911. Some enlightenment on this subject is gleaned from a review of the growth of the use of automobiles. On June 30, 1912, the number of automobiles registered in United States was 848,237, whereas on June 30, 1916, this number had increased to 2,932,455, a gain of almost 250% in a period of four years. The amount of gasoline consumed in the 1912 fiscal year was 424,118,500 gallons, whereas in 1916 it was estimated that this amount had been increased to 1,466,227,500 gallons, this likewise representing a growth of about 250%. Such an enormous expansion in the use of this valuable product of petroleum is alone sufficient to give an idea of the growth of Standard Oil earning power.

There have been periods, however, when, owing principally to overproduction, profits of oil companies have suffered a falling off, this being especially true in 1914, although the outbreak of the European war also had a great deal to do with the depression of that year. In 1915 earnings of most of the Standard Oil companies compared favorably with those of former prosperous years, al-

though the full effect of rising prices and heavy demand was not felt until the last few months of last year. During the current year the Standard Oil companies have been able to benefit by high prices and a demand which has taxed the capacity of the various companies throughout the full year, and the indications are that the financial statements covering operations for the year 1916 will disclose record breaking profits in the case of practically all of the producing, refining and marketing companies, and since gasoline has become a most valuable product of petroleum, it might be well to point out the growing margin of profit which the refining companies have been obtaining this year. The following table shows the quotations prevailing for Oklahoma crude oil and for gasoline in New York, from the beginning of this year up to the present time:

	Oklahoma Crude Oil Per Barrel	Gasoline in New York Per Gallon
January 1st	\$1.20	21c.
January 5th	1.20	22c.
February 7th	1.30	23c.
March 2nd	1.30	24c.
August 7th	1.15	23c.
September 5th .....	.90	22c.
October .....	.90	22c.

From this table it can easily be seen that the margin of profit on gasoline produced from Oklahoma crude oil is much larger at the present time than it was at the beginning of the year, and the earnings of the Standard Oil companies for the year 1915 showed that gasoline was yielding a very satisfactory margin of profit during the final months of last year. While gasoline is now selling in New York one cent a gallon higher than at the beginning of the year, Oklahoma crude oil is selling 30 cents a barrel lower. The recent increase in Pennsylvania crude oil has caused some disparity in Oklahoma and Pennsylvania prices, but in view of the tremendous quantity of Oklahoma crude oil used by the refineries east of the Rocky Mountains at the present time, a comparison of Oklahoma crude oil prices with gasoline gives a fairly good idea of the profitable state of the refining business.

Needless to say, the demand for lubri-

cating oil, fuel oil, kerosene and other petroleum products has also shown a large increase, while exports have been running at a record breaking rate. That the Standard Oil companies look for an increased export trade is indicated by their unprecedented activity in the building of tank ships and in adding to the capacity of their plants which supply the export requirements.

Stock Dividend Outlook

Another factor which makes the Standard Oil securities unusually attractive is the possibility of stock dividends from time to time. A review of the enormous profits which have been derived from stock dividends during the last five years might lead to the conclusion that most of the profits in this direction had already been received, but at the present time there are a number of former Standard Oil subsidiaries which are in a position to readjust their capitalization and declare stock dividends at any time that the directors might consider it advisable.

Market Position

The present strength of the American oil industry and the likelihood that prosperity will continue for a considerable time ahead, together with the strong financial condition of most of the Standard Oil companies, would seem to warrant still higher prices for these securities as a group, and the indications are that additional new high records may be established during the next year. However, there have been times in recent weeks when the upward pace of these issues has become almost too rapid, and in view of this, reactions should be looked for from time to time. It is always well to take profits in such of the Standard Oil securities which have advanced hundreds of points, with the idea of repurchasing at more attractive prices, although the investor who disregards temporary fluctuations will probably receive better prices for most of his holdings if he is content to wait.

EIGHTEEN PREFERRED ISSUES

Company	Preferred Stock	*Net Earnings	Dividend and Duration	Per Cent Earned on Preferred	Recent Price	Yield
American Beet Sugar.....	\$5,000,000	†\$3,174,830	6 17 Years	63.50	100	6.00
American Can	41,233,300	5,029,273	†† 10 Years	12.19	114½	6.11
American Locomotive	25,000,000	**10,769,429	7 15 Years	43.08	106½	6.57
Amer. Smelting & Refining	50,000,000	14,402,732	7 17 Years	28.80	117	5.98
American Woolen	40,000,000	4,080,685	7 17 Years	10.20	97	7.22
Baldwin Locomotive	20,000,000	2,827,816	7 6 Years	14.14	106	6.60
Central Leather	33,292,500	6,626,897	7 11 Years	19.90	114¼	5.69
General Motors	14,985,200	‡28,812,283	7 7 Years	192.40	126	5.56
Goodrich (B. F.).....	27,300,000	12,265,680	7 5 Years	43.81	113½	6.17
Nat. Enamel. & Stamping..	8,546,600	913,742	7 17 Years	10.70	96	7.29
National Lead	24,367,600	2,710,526	7 23 Years	11.12	116	6.03
Pressed Steel Car.....	12,500,000	1,324,815	7 17 Years	10.60	103%	6.75
Railway Steel Spring.....	13,500,000	1,363,229	7 14 Years	10.69	101	6.93
Studebaker	10,965,000	9,067,425	7 6 Years	82.69	110½	6.33
U. S. Rubber 1st.....	59,692,100	8,217,586	8 10 Years	13.80	113	7.08
U. S. Steel.....	360,281,100	75,833,833	7 15 Years	21.05	121½	5.76
Virginia-Carolina Chemical.	20,011,800	4,507,549	†§ 20 Years	22.53	113	7.08
Woolworth, F. W.....	13,000,000	7,548,210	7 5 Years	55.39	125½	5.58

* Fiscal year, December 31, 1915.

† Fiscal year March 31, 1916.

** Fiscal year June 30, 1916.

‡ Fiscal year July 30, 1916.

†† Paid 5% 1906-11; 5¼% 1912; 7% since; 8¾% back, still due.

‡ Paid two quarterly dividends in 1915 in scrip, now retired.

Oil Notes

Cosden Oil & Gas.—Has drilled in a well flowing 500 barrels daily on Macy tract at Leonard, Okla. This is the third well brought in by the company in last two weeks, other two being in the Cushing field and flowing 200 and 400 barrels, respectively.

California Petroleum.—Net earnings of this and subsidiary companies, before allowing for depreciation, in August were \$139,889 compared with \$71,865 in August, 1915, an increase of \$68,024. For the eight months ended Aug. 31 last, net amounted to \$842,374, compared with \$787,035 in corresponding period of last year, an increase of \$55,339. Report of July 31 showed current assets of \$1,334,509, and current liabilities of only \$137,512. Current assets included approximately \$414,000 representing oil storage carried at a market price of about 35c.

General Pipe Line of Cal.—Holders of \$4,000,000 6% bonds have received checks in payment for their securities. Bonds were purchased by a California syndicate on a basis of 92% and interest. Accumulated interest and purchase of participation certificates representing \$200,000 gave each holder approximately 95 for bonds and stock.

Midwest Oil Co.—Directors declared monthly dividend of 2%, payable Nov. 20 to stock of record on Nov. 1 to apply on accumulated interest on preferred stock. In July the company adopted policy of paying 2% a month, including regular dividends, until accumulated interest on preferred stock is canceled, which will be next February.

Sinclair Oil & Refining Co.—Directors authorized construction of 800-mile pipe line from Tulsa oil fields in Oklahoma to Chicago and erection of three refineries, one at Kansas City, Kan., one at Fort Madison, Ia., and one at foot of Lake Michigan, near Chicago. This calls for sale of \$4,000,000 treasury bonds and 100,000 shares of treasury stock to private investors. Estimating selling price of

bonds at par and stock at \$45, \$8,500,000 will be realized. Estimated earnings after completion of the project is placed in excess of \$16,000,000 a year.

Southern Oil & Transport Corp.—With authorized capital stock of \$20,000,000, par \$10, has issued \$11,650,000 new stock. Estimated annual profits, basing sales of fuel oil at \$1 per barrel at Atlantic ports, and relatively low prices for refined products, are \$6,043,945. This would equal 51.90% on issued capital. To allow for contingencies, however, the management estimates profits at 40%.

Savoy Oil.—Declared regular monthly dividend of 1% and extra dividend of 1%, payable Oct. 25 to stock of record Oct. 16.

Tidewater Oil Co.—Twenty-two thousand shares capital stock recently offered by Eastman, Dillon & Co. and Hayden Stone & Co. at \$185 a share. Net of the company for first six months of this year were larger than for the entire year of 1915, when net was equal to 18½% on the \$24,000,000 stock. In April, 1916, the company increased the outstanding stock to \$29,000,000 by selling \$5,000,000 stock at par to stockholders and employees.

Texas Co.—Stockholders at next annual meeting Nov. 14 will vote on proposal to increase capital stock by 25%, which, if carried, will bring total outstanding stock up to \$55,500,000. Proceeds of proposed issue to be applied to plant extension. To be offered to stock of record of Nov. 30 at par.

Union Oil of Cal.—Report for nine months ended Sept. 30 shows gross \$20,550,000, surplus after charges \$5,320,000 equal to 21% per annum on capital stock. Comparing with 1915, gross \$13,950,000, surplus after charges \$2,250,000, an increase of \$3,070,000, gross showing increase of \$6,600,000.

Union Tank Line.—Has ordered 2,250 additional cars for 1917 delivery.

Oil Inquiries

Oklahoma Oil

G. G. H., New York City.—Oklahoma Oil we understand is purely a holding company. We do not favor the stock as we cannot get any conclusive evidence of its value. We suggest that you sell.

Sinclair Oil

M. H. K., Chicago, Ill.—Sinclair Oil & Refining. The dividend of \$1.25 quarterly we believe to be fairly safe for the present, barring an adverse change in the general oil market conditions, or unfavorable developments in the company's own producing fields. Excellent results have been shown from the company's oil land holdings in Oklahoma and

present output is much beyond expectations at the time of the formation of the company. The recent advance in the stock has been based on the discovery of oil in one of the heretofore undeveloped leases which, it is stated, holds considerable promise for production of especially high grade crude. This company has also announced its plans for building a pipe line to Chicago and expanding its refinery capacity. We understand that it is expected to sell 100,000 shares of treasury stock and \$4,000,000 bonds, the balance remaining unissued of the authorized \$20,000,000 bonds. Such an operation might very likely have a depressing effect on the market. We regard the stock as having considerable speculative possibilities.

flect the general uncertainty as to the future of the company, which grows out of the fact that it is a new enterprise and as yet untested. We are not generally advising the purchase of any stocks at this time because of our belief that the market has developed a definite downward trend.

Standard Oils

C. J. M., Philadelphia, Pa.—We regard the Standard Oil stocks as good permanent investments for anyone who can afford to buy and hold. The income yield on the basis of dividends paid is extremely low, generally speaking, but the growth of the petroleum industry and the steady progress of these companies, under perhaps the ablest management of any of our American corporations, almost certainly insures the steady appreciation in the value of their securities over a period of years. This is because their low capitalizations and tremendous earning power and resources hold out the promise of extra distributions in the form of stock dividends from time to time. We favor in the order mentioned Standard Oil of New Jersey, Prairie Oil & Gas, Atlantic Refining, and Chesebrough Manufacturing Co. We concede S. O. of N. J. first position because of its wonderful prospects for development after the close of the war. Its activities are world wide and the enormous resources of the company may be used for developing a potential earning power which it is almost impossible to estimate. We might say, however, that while we believe much higher prices will eventually be reached by all of the Standard Oil stocks, we are inclined to expect some further reaction from their present levels. Recently, there have been rapid advances in this group and general market conditions do not now appear favorable to advancing prices. At the same time Standard Oil stocks have a habit of moving more or less independently and it may be stated that the present conditions and outlook in the industry are strong

enough to furnish a basis for a further upward movement in the Standard Oil list.

Cal. Petroleum

L. C. J., Wilkinsburg, Pa.—California Petroleum (22). After having sold at 40, this stock declined to 15. The flow of oil from the company's wells has been rather uncertain and the company's future production is decidedly problematical. We regard the stock as speculative and do not recommend its purchase.

Empire Petroleum

D. J., Brookline, Mass.—Empire Petroleum. This company has about 75 producing wells and its entire product is contracted for by the Eureka Pipe Line Co. up to 1925. The price of the oil to the Eureka Pipe Line Co. is based upon the market prices of Pennsylvania crude, and from the upward tendency of crude oil prices, we believe that the earning capacity of the company will be maintained and we regard the stock as a fairly good speculation.

Sapulpa Refining

M. E. T., Baltimore, Md.—Sapulpa Refining Co. (9). Your inquiry asks our opinion on the Sapulpa Producing Co., but we think possibly what you have in mind is the Sapulpa Refining Co., as we find no record of a company of the other name. Sapulpa Refining Co. has \$1,000,000 common stock outstanding, par value \$15. It has no bonded debt and we are informed that its earnings for 1916 will net about 50% on its stock. In view of the present high prices of oil, its earnings may exceed these figures. There have been some differences among the directors of the company owing to dissatisfaction with the present management, but it is not believed, however, that these differences will result in any permanent injury to the company's prospects.

SHORT TIME INVESTMENTS

Name	Rate	Maturity	Recent Price	Yield
Brooklyn Rapid Transit Co.....	5 J—J	July 1, 1918	100 7-16	4.76%
Chic., Burl. & Quincy joint.....	4 J—J	July 1, 1921	98	4.45%
General Rubber Company	5 J—D	Dec. 1, 1918	100%	4.70%
New England Navigation Co.	6 M—N	May 1, 1917	100½	5.76%
New York City	6 M—S	Sept. 1, 1917	102%	3.30%
Pennsylvania Co.	4½ J—D	June 15, 1921	101½	4.28%
Southern Railway Co.	5 M—S	Mar. 2, 1917	100%	3.73%
United Fruit Co.	5 M—N	May 1, 1918	101½	4.25%
U. S. Rubber	6 J—D	Dec. 1, 1918	102%	4.72%
Winchester Arms Co.	5 M—S	Mar. 1, 1918	99½	5.50%

Mining Digest

Anaconda.—Produced in Sept. 29,400,000 lbs. of copper, compared with 22,800,000 in 1915, and 12,400,000 in 1914. Aug. output was 28,800,000, compared with 22,800,000 in 1915, and 14,750,000 in 1914. Previous high record was in April, 1916, which was 33,300,000.

American Zinc.—Directors have declared a regular quarterly dividend of \$1.50 on preferred stock, payable Nov. 1 to stock of record Oct. 21. Absorption of Granby Mining & Smelting Co. into American Zinc, Lead and Smelting Co. is practically completed. For the eight months ending Sept. 1 the American Zinc and Granby combined profits considerably exceed \$7,000,000, and earnings for year of 1916 predicted \$9,000,000 to \$9,500,000 may be confirmed by actual results.

Bingham Mines.—Earnings for past three months have averaged \$15,000 monthly, which is exclusive of profits of Eagle & Blue Bell. Bingham derives its share of Eagle & Blue Bell profits in form of dividends on 659,125 shares held in Bingham treasury.

Butte & Superior.—Output for month of Sept. approximately 50,000 tons of ore, resulting in production of nearly 15,000,000 lbs. of zinc in the form of concentrates. Percentage of recoveries ran from 93½ to 94%. About 290,000 ounces of silver in concentrates also secured.

Braden Copper Co.—Output for month of Sept. 2,970,000 lbs. of copper, compared with 2,616,000 lbs. in Aug., and 3,222,000 in Sept., 1915.

Allouez.—Estimated production for this year at least 11,500,000 lbs. of copper at cost of 9½c., earning between \$17 and \$18 per share for its stock.

Arizona Copper Co.—Produced in Sept. 4,180,000 lbs., or the smallest monthly output since last March. Sept., 1915, was affected by strike conditions and therefore offers no comparison. Comparing for three months, June, 1915, output was 3,674,000; 1916, 4,800,000; July, 1915, 3,390,000; July, 1916, 4,400,000; Aug., 1915, 3,600,000; 1916, 4,800,000.

Calumet & Hecla.—Sept. production of this company and its properties was somewhat smaller than in Aug., totals being 13,573,725 lbs. for Sept., compared with 13,920,849 in Aug. Calumet & Hecla alone shows production of 6,257,447 lbs., as compared with 6,603,418 in Aug. With production for the remaining three months on about same basis as past few months, Calumet & Hecla and its subsidiary companies will produce about 160,000,000 lbs. of copper. That would compare with 145,656,000 lbs. in 1915.

Chile Copper Co.—Output for Sept. an increase over previous month of 1,018,000 lbs.; and at a rate of nearly 48,500,000 lbs. per annum. The output for Aug. was at the rate of slightly in excess of 36,000,000 lbs. per annum.

Chino.—Produced in first quarter 16,267,450 lbs. of copper. The second quarter's output was 18,099,182 lbs., making a total production of 34,366,622 for first six months. Net surplus over dividend requirements for the first quarter amounted to \$1,659,511, and for the second quarter \$1,264,514, making a total of \$2,924,025 for the half year.

Consolidated Copper Mines Co.—Stockholders offered \$150,000 7% first mortgage bonds for subscription until Nov. 1 at 90. Additional funds necessary for reconstruction of old Giroux concentrator. Expected reconstructed mill will be ready for actual operation by end of this year.

East Butte Copper.—Produced in Sept. 1,760,100 lbs., compared with 1,849,120 in Aug., and 1,893,120 in July, 1,639,560 in June, and 1,517,000 in May.

Franklin Mining.—Has been able to reduce operating costs from 21c. per lb. of copper last January to a present cost of 15½c. Production for first eight months exceeds by 665,031 lbs. that for the entire 1915 calendar year.

Federal Mining.—Reports total profits for Aug. of \$149,844. Net profits for quarter ended July 31 were \$268,287, as compared with \$290,891 for previous quarter.

Greene-Cananea.—It is expected that the Oct. production of Greene-Cananea will exceed 5,000,000 lbs., which is at a rate of 60,000,000 lbs. per annum, whereas in Sept. it was 4,800,000 lbs.

Interstate-Calahan.—On Sept. 30 paid regular quarterly dividend of \$1.50 per share, or \$697,485, bringing payments for current year to \$2,092,455, and increasing the grand total to \$4,649,900, or \$10 per share, the par value of the stock, all paid since dividends were inaugurated on April 1, 1915.

Island Creek Coal.—In the half year ended June 30 earned net profits of \$478,429, or at rate of \$5.60 per share on the 118,000 shares of common, after taking out the dividend on the 50,000 shares of preferred.

Isle Royale.—In the month of Sept., Isle Royale produced 1,130,000 lbs. of copper from rock which averaged 14.2 lbs. of copper per ton.

Mass. Consolidated.—Production of the Mass. Consolidated Mining Co. for the past nine months exceeds output for entire 1915 calendar year, which amounted to 4,638,452 lbs. refined copper. Estimated production for present year is 5,000,000.

Kennecott Copper.—Produced 8,000,000 lbs. of copper in Sept., compared with 10,200,000 in Aug.

Miami.—Profits for the six months ended June 30 totaled \$3,499,000. Estimated profits for third quarter will approximate \$2,150,000, or 66% of the net for first six months.

Nipissing Mines Co.—Shipments of bullion for Sept. totaled \$413,000, against previous high record of \$447,500 in April and \$420,900 in May.

Old Dominion.—Smelter output in Sept. was 3,011,000 lbs., compared with 3,600,000 lbs. the previous month, and 3,852,000 lbs. in July. The smaller output for Sept. was due to discontinuing the treatment of United Verde Extension ores, which has averaged from 600,000 to 800,000 lbs. of copper monthly.

Shannon Copper.—Declared a quarterly dividend of 25c. and 25c. extra per share. It calls for disbursement of \$150,000, and will make \$3 per share, or total payments of \$900,000 since organization.

Shattuck Arizona.—Monthly report for period ended Sept. 31 states that ore production at the mine continues at rate of 550 tons of copper ore and 50 tons of lead ore daily.

Tennessee Copper & Chemical Co.—Plans

for rehabilitating the Tennessee Copper Co. call for two active companies, one of which—the newly organized Tennessee Copper & Chemical Co.—will act as a holding and banking company. The outstanding bonds of Tennessee Copper Co. will remain undisturbed. The company will net \$2,800,000 from sale of 200,000 shares, of stock, which go to the bankers at \$14 per share, to underwriters at \$15, and to stockholders at \$16.

Tennessee Copper.—A syndicate is being organized in connection with the underwriting of the proposed issue of 200,000 shares new stock. Proposed to offer new stock to present shareholders at \$16 a share.

Tonopah-Belmont.—Reports for quarter ended Aug. 31 receipts of \$634,923, and net income of \$314,412. Cash assets Aug. 31 were \$1,388,134.

United Verde Extension.—From shipment of between 8,000 and 8,500 tons of high-grade ore monthly has been securing copper at the rate of 3,000,000 lbs. or more per month, or 36,000,000 lbs. per annum. Estimated cost of production ranges between seven to eight cents a pound.

Virginia Iron, Coal & Coke.—Report for year ending June 30 gross earnings of \$4,308,597, compared with \$2,844,165 for 1915. Net earnings, \$437,016, against \$406,574 for 1915.

Mining Inquiries

Inspiration

A. B., Kansas City, Kans.—Inspiration (63) is earning at the rate of about \$20 per share per annum, and we have recommended the purchase of this stock at lower prices. In view of the fact that it was advanced over six points recently, it is due for a reaction.

Goldfield Consolidated

U. O. A., New York City.—Goldfield Consolidated (63) is showing monthly profits considerably under former earnings. The explanation is said to be that the company is clearing up all the free milling ore that will yield even the smallest profits, in order to place the mine in shape for the extraction on a large scale of the deep level low-grade, copper-bearing ores, to be treated by the flotation process.

Pond Creek Coal

T. A. H., Reading, Mass.—Pond Creek Coal from January 1 to June 30 produced 484,405 tons of coal; an increase of 57% over the same period previous year. For the full 1916 year, it is expected that this company will show an output of 1,000,000 tons of coal and it is expected that this will result in profits of at least \$1 per share.

Greene Cananea

B. C. T., Portland, Me.—Greene Cananea (51½) is rapidly getting its production of copper up to its maximum. With conditions in Mexico looking favorable at the present time, we believe the stock to be selling rather low in view of its present earning power. The company is paying dividends at the rate of \$8 per share per annum.

Great Northern Ore

A. H. W., New Haven, Conn.—Great Northern Ore (44¾). In April last this company had contracted for the sale of 1,100,000 tons of iron ore in 1916. Still more ore is likely to be contracted for, and shipments will undoubtedly be better than in 1915. In 1915, the company earned 70c. a share; in 1914, 54c., and in 1913, 71c. Though earnings for 1916 will be considerably larger, it is not thought likely that the present dividend of 50c. per share per annum will be increased. There is considerable development work to be done on the property and the company can use to advantage all funds in excess of the present dividend requirements. At present prices, the stock would appear to be selling high enough, especially as it is decidedly uncertain how long the present heavy demand for ore will last.

Federal Mining & Smelting

G. L., Norwalk, Conn.—Federal Mining & Smelting, Pref. (43%). We do not look very favorably upon the present position of this stock. The earnings applicable to dividends have steadily declined from \$1,241,115 in 1914 to \$310,367 in 1915, and there was nothing in its earnings for the first half of 1916 to warrant, in our opinion, the payment of 3% dividends on the preferred stock for the first three quarters of the year.

Miami

F. A. E., Princeton, N. J.—Miami Copper (39½) has not advanced proportionately as much as several of the other copper stocks, although its earnings have been relatively as good. In regard to the coppers generally, we believe that those stocks which have had almost unbroken advances of 10 or 15 points should not be purchased at the present time. We believe there has been considerable liquidation by insiders on several of these stocks, and that sooner or later there will be a substantial reaction.

Alaska Juneau

H. C. W., New York City.—Alaska Juneau (7½) has been sympathetically affected by the severe decline in Alaska Gold which stock fell away badly after reports that the company had encountered very low grade ore had been officially confirmed. However, this market reflection on Alaska Juneau does not seem justified and reports indicate that satisfactory progress is being made. The stock has fair speculative possibilities.

Kennecott

K. V. B., New York City.—Kennecott (55) and Inspiration (5) are both excellent copper stocks. Inspiration's ore reserves are all thor-

oughly blocked out and the life of the mine determined. One of Kennecott's most valuable properties, on the other hand, the Bonanza Mine in Alaska, is a vein mine and it is impossible to prove up any large quantity of ore from such a mine. It may last for many years and then again its ore values may not continue as they are showing at present.

Butte Copper & Zinc

H. E. J., Steubenville, O.—Butte Copper & Zinc (5½) has uncovered high grade zinc ore and copper, estimated at 1,000,000 tons. A favorable contract made with the Anaconda Company for the development and treating of this ore should be of great benefit to the company. It has \$2,500,000 stock, par \$5. The stock is non-assessable. No dividends have been paid as yet. The company owns its property in fee simple under perfect title and has no debts. The Anaconda Company owns 188,000 shares. It is a little too early to make an estimate as to what the mine's daily output will be, as it has just started production. With the price of zinc at its present level, this mine will undoubtedly be a large earner, but it must be remembered that when the war is over the price of zinc will probably work back to its normal level of 5c. a lb.

Tennessee Copper

J. H. J., Kingston, N. Y.—Tennessee Copper (26½) must be regarded as a rather risky stock to hold, as the company is involved in several lawsuits and it is uncertain how these will turn out. We suggest that you read the article on this company in the September 16 issue of THE MAGAZINE OF WALL STREET, which carefully discusses the situation. You can then use your own judgment as to whether to sell or stay with it.

FOR THE COMMON GOOD

Mr. Frank A. Vanderlip in a recent public address expressed himself boldly as follows:

"It is my belief that war itself is scarcely more dangerous to a nation or more deadly to industrial progress than are some of the influences at work within our own boundaries. There is a prevailing idea that the wage-earning class is interested in restricting production. They hold to that view because they believe the employer is a natural enemy or, more often, that there is not enough work to go around to all laboring men and that it should be made to go as far and last as long as possible.

"Such a fallacy, generally held, is actually worse than war, for when war runs its course, recuperation can follow, but when the idea of restriction of production as a means to obtain individual prosperity becomes fixed in men's minds, it has the same effect upon production that a perpetual drought would have upon grain fields.

"Whatever controversies there may be about wages or other divisions of the product, there ought to be an agreement upon honest, sincere effort to increase all production for the common good. Not to co-operate to this end is to be disloyal to the community. The betterment of industrial conditions will come in the future, as it has come in the past, by increasing the individual output, never by policies restricting output."

TOPICS FOR TRADERS

Observations of an Order Clerk

Fundamental Difference Between Markets and Games of Chance—The Bad Policy of Small Profits and Big Losses—Suggestions to Traders

BY FRANCIS H. HOFFMAN

DURING the four years of my experience behind the order window of a stock and grain commission house I have witnessed many and varied ups and downs in the market and the winning and losing of large sums of money in the speculative advances and declines. A compilation of results obtained by customers over this period shows eight out of ten to finish their trading deals with considerable loss and but two out of ten to leave with any considerable profit.

The commission charge is a reducer of profits yet plays a small proportionate part in the final results. Subtracting the commission charge, out of ten customers seven would quit with losses, two with gains and one even. We must therefore look elsewhere than to the commission charge to ascertain the reason for these continued losses.

In watching the public sell at the bottom and buy at the top I have observed certain principles at work, the use of which may be of advantage to the trader.

The Lesson of Monte Carlo

The year before the outbreak of the war it was my pleasure to travel in Europe and while there I made a month's stop at Monte Carlo, the gambling center of the world. I read every obtainable article on roulette and trente-et-quarante printed in French or English. I also examined records covering more than 100,000 rolls of the ball at roulette and more than 50,000 results at the card game, trente-et-quarante. Looking at these records without prejudice, one must admit that the public's chances for success as against loss are even; yet the shares of stock at Monte Carlo are quoted at \$3,000 each and it is estimated

that something like three or four million dollars are dropped there by the public each year. The percentage against the public of 1.7 per cent. on the even chances at roulette cannot be wholly responsible for this enormous loss. Some years ago a table was run without the 0 (or percentage) operating. It paid the house within 80 per cent. of the average table. The public therefore loses money even though the house percentage is inoperative.

I mention Monte Carlo because there the chances are even for winning or losing. Why then does the public leave it poorer in pocket? The only reason seemingly is that they will not let themselves make money any more than they will allow themselves to make money in the grain or stock markets. When we find the public losing money with the even chances at Monte Carlo and also continually losing money in the stock and grain markets, we must look into that peculiar trait in human nature which makes the unhappy faculty of losing money so universal.

At roulette we have runs of red and black and if these runs were put in chart form, making an upward mark when red appeared and a downward mark for black, we would have a chart closely resembling the upward and downward movements in the stock and commodity markets. A preponderance of red would give us a "bull" or upward market. Conversely, runs of black a "bear" market. I have compiled a number of such charts and they are perfect pictures of speculative markets. The casual observer would take them for charts of movements in grain or stock.

Roulette and Stocks

What is the fundamental difference

between a chart of red and black at roulette and a stock or grain chart?

The stock and grain market is made by men and buying and selling is the cause of fluctuation. At the roulette game the chances of the next roll turning up red as against black, is exactly even. But the chances of wheat going another cent higher after a rise of three cents may or may not be even. To illustrate. Start at a given figure, e. g., 100, and have red come up three times running. This would be indicated on the chart by a rise of three points to 103. The chances of the next "quotation" being 104, as against 102, are exactly even.

Assume wheat to be selling at \$1.00 a bushel and give us a three cent rise to \$1.03. No one will contend that the chance of wheat selling at \$1.04, as against \$1.02 is always even. In fact we know that at a given point either an extended long or short interest exists. If a short interest we have more potential buyers than sellers which is conducive to strength. An extended long interest gives a stronger potential selling power and the odds are in favor of a decline.

The chances of the average man "guessing" whether the next quotation in Union Pacific or wheat, is upward or downward may be even, but the underlying causes of either move are in the market and exerting their influence. Could we know the position of the market, (whether overbought or oversold) at all times we would have the open sesame to the wealth of the world.

Professional operators are continually in search of such valuable information and leave the browsing amongst the newspaper columns and "dope" to the "lamb" or public. Big bank reserves, a world war, good business, depression, etc., are not what cause fluctuation. It is these items and others and their effect on the market action of the "crowd."

Buying and selling alone is what causes market changes. The future in the speculative market is directly influenced by the buying and selling which has taken place in the past.

I know of no method which will enable one to make money continuously in the stock or grain market any more than

I know of a method which will beat the roulette wheel. You cannot beat roulette because you have no means of telling whether the next roll will come up red or black. The wheel is a cold, impersonal, and inanimate object. Should red come up eleven times in succession (the odds are 1,024 to 1 against such an occurrence) the chance that it will come up on the twelfth spin is exactly even. However in a rise of eleven points in Union Pacific, wheat or corn, whether or not the rise will extend to twelve points is directly governed by its previous action and the overbought or oversold condition of the market at that time, as the initial rise of eleven points had its inception in perhaps a month's backing and filling.

Market May Be Understood

Although we must give up all desire to beat the roulette wheel, yet because the market is made by men, it is possible to understand it and derive profit from it.

The closer you come to arriving at the true technical position, the broader your vision. The closer you observe the closer you will come to making money continually in the market. The rule obtains in the real estate market. Even the man who sells beans must be possessed of these faculties if he hopes for continued success.

But there are customers who are right oftener than they are wrong and still lose money. An examination of such accounts shows the persistent indulging in the fatal error of taking a small profit when right, and a ruinous loss when wrong.

Small Profits and Large Losses

If a trader is right three times and takes a \$10 profit each time, but is wrong once and takes a \$100 loss, he will not get rich very fast. Why not then devise a method which goes with the market automatically and make money?

For instance, if wheat is selling at \$1.00 and a rise is deemed imminent, put in an order to buy wheat every point up. A rise of ten points and a unit of 1,000 bushels would give a gross profit of \$550, as against a loss on a ten point drop of \$100. Given a continuous and steady rise of ten points and there is no

doubt that such a method would make money; but we hear of no fortunes being made by this method.

The principle is good, inasmuch as it increases the unit when making money. But it falls down in that it takes no notice of market conditions and technical position. Though one might feel bullish at \$1.00, there may be many reasons for going short at \$1.07, which factor the method does not take into consideration. When following such a plan we should find ourselves buying wheat at \$1.08 when our experience may tell us that a short sale would be in order.

At roulette the chances of the next "quotation" being \$1.09 or \$1.07, is exactly even so it is of no advantage to turn "bearish" and bet on black because there is nothing in the previous action of red or black to give us any indication of what will come up next. But by close study of the wheat market we can come close to determining what the next quotation should be.

Although many traders are right oftener than wrong, as long as they continue to increase the unit when wrong, they cannot hope for ultimate success. But by starting with a small sum, increasing the unit when right, thus playing with the "other fellow's money," they have a splendid chance to make large sums. Put in the parlance of the street, "Press your advantage when right" and "crawl into a hole and pull the hole in after you when wrong."

Special information as to the market's technical position coupled with a method of arithmetically (or more conservatively) increasing the unit when right and decreasing it when wrong has a good chance of resulting in success. Many small losses may appear at first, but once started in a period of profits are apt to run to a substantial total.

"Right" Operations

Here is an illustration of such a trader operating during a period when he is right. Starting with \$100 and trading in 1,000 bushels (an "odd lot") of corn on the Board of Trade, let us say corn is 63 cents, and has been hanging around this level for a week or more. The trader finds every one bearish or short,

so he is justified in believing that an upturn is due. He divides his capital into 10 units of \$10 each, and buys 1,000 bushels May corn at 63 cents. It goes to 64 cents. He buys another 1,000 bushels at that price; then another 1,000 bushels at 65 cents. Corn fluctuates between 65½ and 66 and our trader looks for a break. He sells out his long line of 3,000 bushels at 66 cents, and believing a 2 cents reaction overdue, sells 4,000 bushels at 66 cents. Gross profit \$60. Corn goes to 65 cents and he sells 1,000 bushels and covers 5,000 bushels at 64. Gross profit \$150.

Our trader now believes that corn will go higher and buys 6,000 bushels at 64 cents. His corn is now margined down to 60 cents. It fluctuates between 63 and 64½ for a week or more. At 65 cents he buys 1,000 bushels. At 66 cents he buys 1,000 bushels; at 67, 1,000 bushels; at 68, 1,000 bushels; at 69, 1,000 bushels. Then he sells out his entire line of 11,000 bushels at 70 cents. His gross capital now is \$760, and he is ready to start a deal of 12,000 bushels, margined 6 cents a bushel. If our trader is successful on a further rise to 80 cents and can catch the turns so as not to impair his 6 cents margin, he could clean up nearly \$1,500.

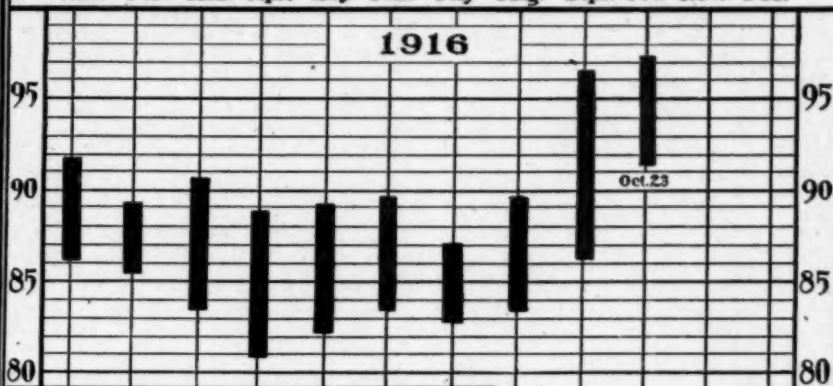
This fictitious resume is not unusual as I know many traders who are exceedingly skillful in catching the turns. Again I know of traders who are "right" for years at a time, but they only make small profits when they should be making thousands. Finally they "go out" with a loss on one bad trade.

Conclusion

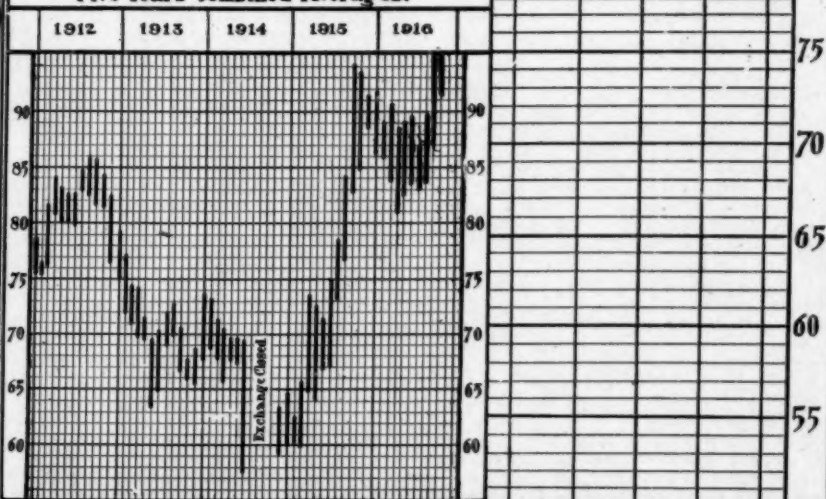
Go into the market with the intention of making large sums in proportion to your capital. If your judgment is poor be willing to take the advice of experts on the market. Study the technical situation and disregard "dope" found in newspapers and news tickers. With the best information possible at hand, devise some method of increasing the unit of trading when right. Make it an ironclad rule never to risk more than your original margin. If right your profits run up as far as you wish. If wrong you lose but the capital which you are willing to lose.

COMBINED AVERAGES OF FIFTY R.R. & INDUSTRIAL STOCKS

Jan. Feb. Mar. Apr. May June July Aug. Sept. Oct. Nov. Dec.



Five Years Combined Averages.



MARKET STATISTICS

		Dow Jones Avgs.		50 Stocks		Total Sales	Breadth (No. Issues)
		12 Inds.	20 Rails	High	Low		
Monday	Oct. 9.....	155.27	109.40	94.07	91.45	1,944,200	213
Tuesday	" 10.....	156.45	110.47	94.91	93.28	1,258,600	218
*Wednesday	" 11.....	99.98	109.26	94.51	92.35	1,306,100	228
Thursday	" 12.....	STOCK EXCHANGE CLOSED (Columbus Day)					
Friday	" 13.....	98.94	108.89	94.10	92.06	972,200	214
Saturday	" 14.....	98.98	109.14	92.65	92.00	458,700	197
Monday	" 16.....	101.42	110.24	94.57	92.81	1,007,900	221
Tuesday	" 17.....	102.42	110.03	95.50	94.25	1,368,400	238
Wednesday	" 18.....	102.35	110.38	95.45	94.29	1,090,500	242
Thursday	" 19.....	102.55	110.23	96.02	94.60	1,525,400	236
Friday	" 20.....	103.68	110.52	97.06	95.10	1,348,700	245
Saturday	" 21.....	103.88	110.34	96.15	95.36	726,000	214

* Twenty industrial stocks used from here on.

Technical and Miscellaneous Inquiries

Trading Terms

Q.—Kindly inform me of the definite meaning of the following terms: "cover all shorts," "traders sell slow with 3 point stop," "remain short?"—P. A. J. Hermon, N. Y.

Ans.—By "cover all shorts" is meant the purchasing of stocks which had been sold short. We are sending you under separate cover a copy of the July 22nd issue of *The Magazine of Wall Street*, which contains an article thoroughly explaining short selling. By "three-point stop" is meant an order put in to prevent loss on a trade exceeding three points. For example, if you sell 100 Steel short at 120, and you wish to limit the loss to three points, you would put in an order as follows: Buy 100 Steel@123 stop. In order to become more familiar with trading terms our suggestion is that you purchase the following books:

Business of Trading in Stocks. By "B." \$2.06 postpaid.

A. B. C. of Stock Speculation. By S. A. Nelson, 66c postpaid.

Trading Method

Q.—Are you willing to advise me whether the following method of dealing in stocks is good or bad? Assuming that the railroads dealt in are Erie Common and 1st Pfd. Southern Railway Common, or other stocks equally sound financially and selling no higher, and the capital backing this system sufficient to purchase in full four hundred (400) shares. The method referred to is a scale system, buying ten shares on every one point reaction and selling each purchase when it shows 1½ points profit. Of course, I know there must be some weak features in this system or it would have been adopted by many speculators who are constantly striving to win profits in Wall Street.—G. M. P., New York City.

Ans.—The method of operating in the market which you suggest, that of buying every point down and selling on every 1½ point advance, can be operated to advantage in certain stocks under certain market conditions. It cannot, however, always be done successfully. This is rather a difficult subject to explain fully in a letter. Our suggestion is that you purchase the following books which we believe you will find to be very valuable to you:

14 Methods of Operating in the Stock Market; \$1.04 postpaid.

Studies in Tape Reading; author, postpaid, Rollo Tape, \$3.06.

Business of Trading in Stocks; author, "B." \$2.06 postpaid.

These books are for sale by the *Magazine of Wall Street*.

Lower Commissions

Q.—What do you think of a broker who used to charge the ordinary commission $\frac{1}{4} \times \frac{1}{4}$ in Montreal and suddenly changes to $\frac{1}{4} \times \frac{1}{4}$, thus cutting it to half what the other brokers charge, and besides has no seat on the New York Exchange?—F. A. C., Montreal, Canada.

Ans.—There is no rule as to what commission a broker should charge. It is rather difficult to see how it would pay a broker to charge as little as one-eighth commission in Montreal on stocks to be bought or sold in a New York market. Our suggestion would be to limit your trade to the brokerage firms which are members of the New York Stock Exchange. It may cost you a little more, but you are not running a chance of losing your principal.

Railroad Reports

Q.—Where can I obtain regularly without charge monthly and yearly reports of certain railroads showing their general financial statements—particularly for the year and monthly revenue and expenses?—N. T. W., Evansville, Ind.

Ans.—The *Wall Street Journal*, 44 Broad St., New York City, publishes the monthly and yearly reports of all the important railroads in the United States as soon as these reports are issued. This paper also contains very valuable financial information, and we believe you would find it well worth the subscription price of \$12 per annum. It is a daily. We will be pleased to handle your subscription for you.

Novice in Speculation

Q.—Will you kindly recommend some books for the novice in speculation to read?—W. B., Brooklyn, N. Y.

Ans.—The following books we believe you will find very interesting and valuable:

The Business of Trading in Stocks. Author, "B." Price, \$2.06 postpaid.

Investing for Profit. Author, G. C. Selden. Price, \$1.06 postpaid.

Fourteen Methods of Operating in the Stock Market (a collection of practical ideas). Price, \$1.04 postpaid.

Studies in Tape Reading. Author, Rollo Tape. Price, \$3.06 postpaid.

Financial Reading

G. F. T.—Glens Falls, N. Y.—We believe the following books will prove interesting and valuable to you:

"Stock Exchange Laws," by Samuel P. Goldman; \$1.10 postpaid. (The book explains the duties and responsibilities of brokers.)

"The Business of Trading in Stocks," by "B."; \$2.06 postpaid. Fourteen Methods of Operating in the Stock Market; \$1.04 postpaid.

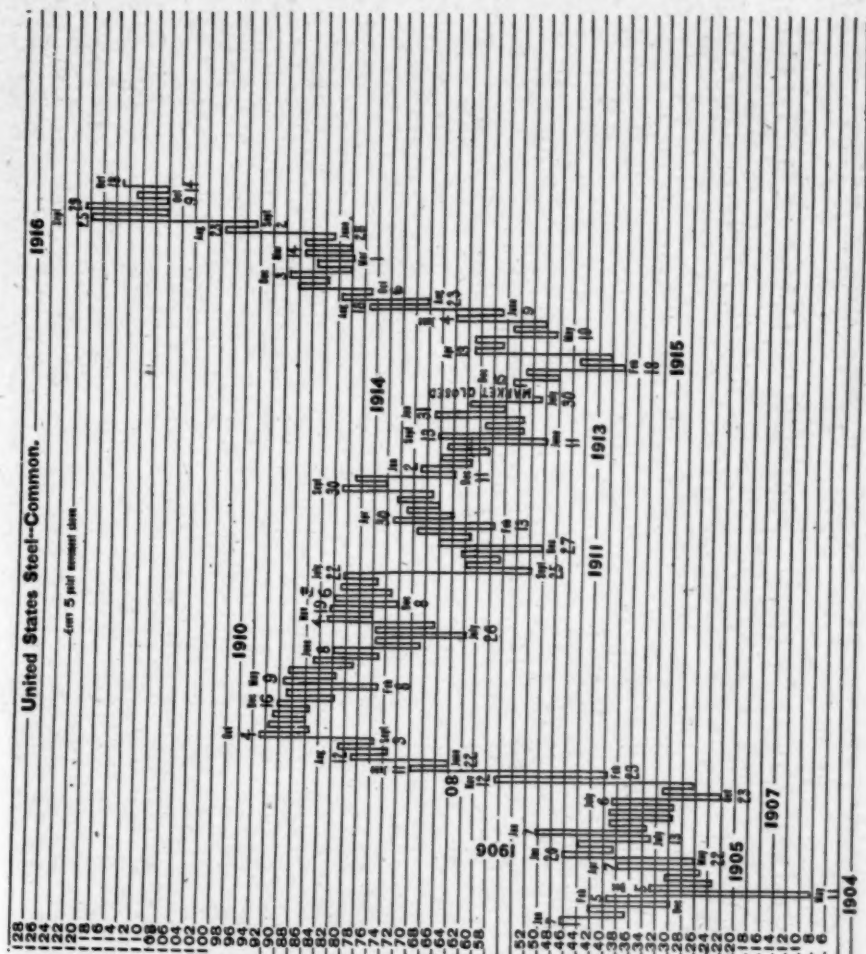
(A collection of practical ideas.)

"Studies in Tape Reading," by Rollo Tape; \$3.06 postpaid.

"A, B, C of Options and Arbitrage," by S. A. Nelson; \$66 postpaid.

"A, B, C of Stock Speculation," by S. A. Nelson; \$0.66 postpaid.

In regard to opening a brokerage office, our suggestion would be to have a personal interview with someone who is already in that line.



When Securities Are Cheap

It is often assumed that a security which returns a high income yield carries with it a proportionate amount of risk. This is not always so. Some securities are selling at low prices because they were not thoroughly distributed, or for other reasons which similarly do not affect the real value of the security. Stocks and bonds in this position are desirable investments.

Bargain Indicator Showing Comparative Earnings

NOTE.—The minus sign (—) before figures below indicates a DEFICIT for the year equal to the per cent. on stock given. Additions and betterments are included in earnings given, whenever distinguishable from ordinary expenses of maintenance, since earnings invested in improvements of the property increase the equity of the stockholders and therefore render the stock more valuable. The value of a stock cannot be judged by its position in the table ONLY. Earnings for successive years as given should be carefully examined, with a view to stability and growth as well as amount. A poor stock may sometimes stand up well in this table because its price is low compared with latest available earnings.

INTENDING PURCHASERS should read all notes carefully and consult "Investment Digest." We gladly answer all inquiries of yearly subscribers.

Industrials	Div. Rate	Present on Price	Dollars Earned Per Share										Earnings Last Five Years on Price		Extra dividends, etc.
			1909	1910	1911	1912	1913	1914	1915	1916	1917	1918	Present	1916	
Butte & Superior (par \$10)	\$3	4.8%	...	...	...	...	3.5	5.2	35.5	...	...	...	\$63	54.7%	Extra dividends.
Amer. Locomotive com.	5	6.3	—3.1	1.3	7.3	0.5	17.7	1.3	—13.0	36.1	...	...	79	45.5	Plants at capacity.
Inter. Mer. Marine pfd.	0	0	...	9.4	8.7	7.3	11.1	...	...	50.0	...	...	115	43.5	Reorganization plan. Back dividends 82%.
Maxwell Motor com.	10	11.2	...	...	...	...	...	...	...	...	0.3	6.5	89	33.8	Record earnings.
Barrett Co.	7	4.4	...	...	...	...	10.5	10.8	10.3	49.0	...	...	160	30.6	Extra dividends.
Willys-Ov'd com (par \$25)	3	6.5	...	...	...	...	...	6.7	6.5	11.4	...	...	46	28.8	Outlook for 1916 bright. Extra divs.
U. S. Ind. Alcohol com.	0	0	...	2.6	4.0	5.0	1.9	1.9	33.22	...	...	...	136	24.4	War contracts.
Va.-Carolina Chem. com.	0	0	7.1	10.4	3.1	3.3	0.5	3.4	7.6	10.3	...	...	43	23.9	Prospects for good fertilizer business in 1916.
B. F. Goodrich com.	4	5.4	...	...	...	...	2.4	0.8	4.1	17.17	...	...	73	23.5	Earnings first 6 months increased 20%.
Distillers' Securities...	6	13.0	2.2	2.3	3.1	1.5	1.2	2.3	4.6	10.6	...	...	46	23.0	Large contracts for alcohol taken.
Tenn. Copper (par \$25)	0	0	1.7	2.3	2.0	5.5	4.9	3.3	5.3	...	...	...	23	23.0	Fire interfered with Russian contract.
Amer. Woolen com.	5	9.6	5.2	2.2	2.1	2.1	—19.9	0	10.8	...	...	...	46	20.8	Business good.
Acme Tea com.	0	0	...	...	...	...	...	8.5	9.0	6.0	12.0	...	58	20.6	Increasing number of stores.
Bethlehem Steel com.	30	5.4	—1.6	6.5	6.7	6.9	27.4	30.6	112.5	...	...	...	550	20.4	Turning out shells rapidly and economically.
Studebaker com	10	7.4	...	...	...	...	4.9	3.1	12.7	27.45	...	...	135	20.3	Earnings running ahead. Extra div.
Amer. Beet Sugar com.	6	6.1	7.0	7.3	10.9	13.5	3.9	2.3	8.7	19.2	...	...	99	19.4	Earnings big.
Am. Hide & Leather pfd	0	0	11.2	—5.6	0.8	3.2	3.6	0.8	7.4	12.6	...	...	75	16.8	5% div. declared.
U. S. Rubber com.	0	0	4.0	7.8	2.2	6.3	9.8	8.0	10.0	...	...	...	61	16.4	Conserving working capital.
Amer. Agri. Chem. com.	5	6.3	7.5	10.4	9.1	7.3	5.2	7.7	11.0	...	...	...	79	13.9	Record earnings. Extra dividends.
Chino Copper (par \$5)	5	8.9	...	...	...	...	2.5	3.5	3.4	7.6	...	...	56	13.8	War orders.
West'he El. com (par \$50)	3	4.6	...	3.8	6.2	3.1	4.1	5.4	2.4	8.9	...	...	64	13.8	Business increasing. Gov't suit.
Intes. Harv. of N. J. com	5	4.2	17.8	14.8	14.2	15.2	14.5	13.4	16.1	...	...	...	117	13.7	Current earnings good. Extra div.
Central Leather com.	4	4.9	6.3	—2.1	—5.1	8.6	5.2	6.4	10.8	...	...	...	82	13.1	War helped business. Extra dividend. Record earnings for 9 mos.
General Chemical com.	6	1.8	14.4	15.6	15.5	14.4	13.4	13.3	44.26	...	...	...	335	13.0	Doing a big business. Extra dividend.
Am. Smelt. & Ref. com.	4	3.6	7.7	7.1	9.1	10.1	7.5	6.0	14.0	...	...	...	110	12.7	Controls 17 sub-companies. High material cost.
Int. Nickel com (par \$25)	6	11.5	...	...	...	...	6.9	6.6	2.9	2.8	...	...	3.3	6.7	Earned 15% on common first 6 months 1916.
Am. Cotton Oil com.	4	7.1	10.4	6.8	—1.2	6.5	3.4	2.0	7.05	...	...	...	56	12.6	{ Earnings shown here are before deducting special reserve fund.
Republic Iron & Steel pfd	7	6.3	8.1	11.7	7.8	8.9	12.4	4.1	14.06	...	...	...	111	12.6	Business picking up.
California Petroleum pfd	4	8.0	...	...	...	...	...	11.4	11.6	6.1	...	...	50	12.2	Earnings running ahead.
U. S. Realty & Imp't...	0	0	9.2	9.7	9.4	8.3	9.2	8.2	5.0	3.7	...	...	31	11.9	
Continental Can com.	5	4.9	...	...	...	...	12.1	4.7	12.1	...	...	...	103	11.7	

Corn Products pfd.....	5	3.4	8.3	6.9	7.0	6.8	7.6	7.7	10.62	...	91	11.6	Divs. in arrears 18%. Business good. Gov't suit.
Ray Cons. Cop. (par \$10)	3	8.0	...	...	0.2	1.3	1.8	1.6	2.9	...	25	11.6	Record earnings. Extra dividends.
Miami Copper (par \$1)	6	1.5	...	...	0.7	2.8	1.7	1.6	4.5	...	39	11.5	Big production. Extra dividends.
Utah Copper (par \$10)	6	6.3	2.9	3.4	3.9	5.3	5.0	5.3	11.0	...	96	11.4	Business excellent.
Nat. Enam. & Stamp. com	0	0	1.1	1.0	1.1	1.6	1.9	-0.3	3.01	...	27	11.1	Arrears 8 1/4%. Big war orders.
American Gas pfd.....	7	6.3	6.7	6.8	7.1	14.2	9.7	10.7	12.2	...	112	10.8	Business good.
General Motors com....	20	2.5	...	...	15.7	17.3	38.8	37.5	81.2	...	790	10.3	Earnings reported very satisfactory.
Amer. Linseed pfd.....	0	0	5.8	4.5	2.6	-2.8	3.0	1.8	6.02	...	59	10.2	Back dividends 23 1/4%.
Crucible Steel pfd.....	7	5.7	8.3	14.5	10.2	13.7	19.6	4.1	12.3	...	122	10.2	Earnings big. Extra dividends.
Western Union	5	4.8	5.8	5.7	5.4	4.0	3.2	5.4	10.24	...	104	9.9	Big war orders.
N. Y. Air Brake.....	10	6.3	...	4.5	0.5	5.7	6.5	6.4	15.43	...	159	9.7	Expected to show record year.
Woolworth, F. W., com	8	8	...	...	...	8.9	11.0	10.7	13.4	...	140	9.5	Earnings show big gains.
Mexican Petroleum com	0	0	...	...	4.6	5.9	11.2	4.7	10.5	...	110	9.5	Controls St. Ry. & Elec. Light Coa. in N. west.
Amer. Tobacco com....	20	8.8	...	...	...	30.4	28.1	21.0	21.0	...	226	9.3	11 1/4% back dividends due.
North American	5	7.0	6.0	6.2	6.2	7.2	4.6	-0.2	6.8	...	81	8.4	War orders.
Allis-Chalmers pfd.....	6	7.4	...	...	...	...	13.1	...	7.14	...	85	8.4	Steel business booming. Extra dividend.
Baldwin Locomotive com	0	0	...	...	1.4	11.5	13.1	...	9.94	...	119	8.3	Earnings good.
U. S. Steel com.....	5	4.2	10.5	12.3	5.9	5.7	11.1	-0.3	9.94	...	215	8.0	Extra dividends.
Sears, Roebuck com....	7	3.2	18.4	20.5	17.0	19.3	21.2	14.5	17.6	...	93	7.9	Price of gas in dispute.
Anaconda (par \$50)....	8	8.6	3.6	3.5	3.8	7.2	5.6	3.9	7.2	...	120	7.8	Business picking up.
Diamond Match Co.....	7	5.9	11.0	11.6	12.6	13.2	11.0	9.1	9.4	...	110	7.6	Sub. cos. have large undistributed surp. Ex. div.
People's Gas Lt. & Coke.	6	5.5	8.9	9.0	8.9	7.5	8.2	8.6	8.38	...	57	7.5	Large equities in sub. co. earnings.
U. S. Cast Iron Pipe pfd	2	3.5	1.2	4.4	3.9	4.2	4.7	0.6	4.3*	...	118	7.2	Improved earnings despite increased cost of materials.
National Lead com....	4	5.8	6.2	4.3	3.6	3.8	3.6	3.7	5.0	...	133	7.0	Working at capacity. War orders farmed out.
Cons. Gas (N. Y.).....	7	6.8	6.7	7.4	7.6	7.5	7.2	7.1	8.5	...	72	5.0	1916 outlook bright.
Amer. Tel. & Tel.....	8	6.0	9.0	10.4	10.0	9.3	9.6	9.4	9.4	...	108	5.6	New company formed.
National Biscuit com....	7	5.4	7.4	7.7	9.8	10.0	9.6	11.7	9.5	8.2	129	6.5	Earnings good.
General Electric	8	4.3	7.4	16.7	14.5	16.2	12.9	11.1	11.6	...	170	5.1	War orders.
Greene-Canana Copper.	8	15.4	...	...	...	4.3	2.3	1.9	3.0	...	185	6.2	Earnings improving.
Railway Steel-Spring com	0	0	5.3	6.0	0.3	5.8	1.3	-4.2	3.09	...	52	5.8	Divs. in arrears 30 1/4%. Business increasing.
Pittsburgh Coal pfd....	5	4.8	3.0	7.2	5.1	7.5	10.1	5.1	6.1	...	47	0	Profits from sulphuric acid sales.
Pullman	8	4.7	10.9	11.6	9.3	8.7	9.3	9.0	8.8	...	74	0	Capital readjustment. Earnings good.
Pressed Steel Car com...	4	5.6	7.7	5.5	0.1	0.8	10.5	0.1	3.59	...	63	2.7	Earnings picking up.
Inter. Paper pfd.....	4	3.9	2.7	4.5	5.3	5.4	4.4	5.1	5.0	...	102	4.9	
Am. Sugar Refining com	7	6.0	3.9	3.8	9.6	8.7	1.9	4.3	5.5	...	116	4.7	
Am. Car & Fdy. com....	2	2.9	2.6	6.6	7.1	2.5	4.1	5.5	0.1	2.8	68	4.1	
Gloss Sheffield com....	0	0	6.6	2.0	-0.6	0.9	2.1	0.2	1.7	...	63	2.7	
Am. Malt Corp. pfd.....	2	4.1	6.2	3.0	8.8	9.3	4.6	3.7	0.1	...	49	0.2	
Intl. Agricul. pfd.....	0	0	...	...	...	...	...	2.3	-1.2	...	47	0	
Union Bag & Paper pfd.	0	0	6.2	5.4	5.5	5.3	1.6	1.7	3.3	-0.7	74	0	
Colo. Fuel & Iron com..	8	0	2.1	4.0	3.2	4.8	4.6	-3.1	-1.4	...	55	0	
Am. Steel Foundries....	0	0	0.1	6.1	-1.5	4.6	6.1	-1.4	-1.8	...	61	0	

*Fiscal year changed from June 30 to Dec. 31.

COTTON AND GRAIN

Natural Corner in Wheat

By P. S. KRECKER

"THE mills of the Gods grind slowly," said the ancients when they would express the inexorable progress of Fate. There is something that savors of the inexorable in the advance in wheat. The economic forces which have brought about the highest prices in eighteen years are gathering momentum as time passes. Evidence of their growing power is variously manifesting itself. First, there is the price itself. When wheat soared to \$1.85 in May, 1898, the advance was brought about by manipulation. It was not justified by economic conditions. The "corner" failed and left ruin in its fall. This year the situation is fundamentally different. The trade is witnessing the slow creation of a natural corner brought about without manipulation by force of circumstances.

The action of the British Government in appointing a royal commission to take over the wheat trade of the United Kingdom is eloquent proof of the acute situation. This policy is unquestionably a bullish development. It is on its face a confession that the consumer is at the mercy of the producer. It is an effort to checkmate the seller and hold in restraint the natural law of supply and demand. It marks another step by European consumers designed to overcome the difficulties created by the world shortage of wheat. Apparently this commission will co-operate with the joint committee of the Allied governments named months ago to buy wheat for the three nations of England, France and Italy. It will exercise absolute control of the distribution of wheat in the United Kingdom. Competitive buying by hundreds of European merchants has been completely eliminated and the number of buyers reduced to a few working in co-operation.

Those who place a bearish construction on this limitation of competition should bear in mind several basic facts. The

extraordinary measures taken by the European Powers to regulate the purchase of wheat will not add one bushel to the world's supply. That has been definitely limited by Nature. They will not diminish by one the number of mouths that must be fed. They will not shorten by a single mile the tedious and costly voyages of grain ships from Australia and the Argentine to Europe. They cannot compel the American farmer to sell his wheat for less money than he deems it to be worth.

There can be no question of the bullish effect of the compulsory reduction of ocean freight rates by Great Britain. It is an open admission of dependence on the American supply.

Broadly speaking, the wheat and flour trades of the United States should be thankful that foreign consumers are undertaking to regulate prices. Were foreign competition unrestrained the results would be disastrous. The trade would be demoralized and all semblance of stability of values would vanish. Fluctuations would be uncontrolled and the American public, as well as the foreign consumer, would suffer. As it is, while a further rise appears to be inevitable, it promises to be an orderly advance. Values will be kept within bounds and distribution of the world's most important food product will be equitable. The American Government would have no warrant to interfere unless there were evidence of illegal manipulation to advance prices. Every well informed person knows that there is not and has not been such manipulation. Foreign governments, by virtue of their extraordinary powers conferred owing to the existence of a state of war, have this power and are wisely exercising it.

The growing acuteness of the supply question furnishes abundant justification for extraordinary measures to keep values of wheat within bounds. Accord-

ing to the statisticians of the Department of Agriculture the export surplus of the United States this year will not exceed 100,000,000 bushels. Half of this limited total has been shipped to Europe already although the European crop year is barely three months old. Canada has also shipped approximately half of her estimated surplus, so that there is every reason for believing that in another three months if not less, the North American surplus will have been taken. Estimates of the Argentine surplus are being lowered because of the continuation of the drought, which, since last writing, has not been broken. Nothing has developed to justify any raising of previous estimates of the amount of wheat Australia and India respectively will be able to contribute. Estimated supplies of the Argentine new crop range from 55,000,000 to 65,000,000 bushels, while apparently about 20,000,000 bushels remain as a carry-over from the old. The most bearish estimates do not allow Australia more than 100,000,000 bushels of combined old and new crop wheat. India has recently been figured as having 45,000,000 bushels for export. It may be said that these without exception are outside figures. The United States Government has disclosed the fact that its estimate of the Spring wheat yield did not make allowance for short weight of bushels this year. Its total of 158,851,000 bushels was based on a unit of 60 pounds, whereas it is officially stated that the average weight of wheat in Minnesota this year was only 49.3 pounds per bushel against 56.3, the usual weight; North Dakota 46.6 pounds against 57 and South Dakota 45.8 pounds against 56.8 normal. Important allowance must be made therefore for this discrepancy in weight when figuring the quantity of flour.

Reports have been current that the British Government has decided to permit the mixing of 50% of corn meal in wheat flour with a view to making up part of the deficiency in wheat. While these reports have been denied, some action of the kind suggested may yet be taken and should cause no surprise. It would be a common sense thing to do in the existing emergency. In Continental Europe rye has been a common substitute for wheat from time immemorial because of the comparative dearthness of the latter cereal.

Foreign news continues bullish. Estimates of the import requirements of France have been raised to 95,000,000 bushels. They appear too small yet when comparison is made with last year. The 1915 crop was 296,000,000 bushels and France imported 79,200,000 bushels. This year's crop is placed at 224,000,000 bushels, or 72,000,000 bushels less. There then would appear to be warrant for expecting that import requirements will run above 100,000,000 bushels. Threshing returns are not favorable in Italy and estimates of the yield are being lowered. Reserves are moderate and import needs will be large. While Russia does not enter into calculations of supply and demand owing to her isolation, it is of interest to note that semi-official reports confirm private estimates that the total yield of wheat will be 85,000,000 bushels less than last year.

It is early yet to estimate the amount of Fall plowing being done in the United States, but reports indicate an increased weight acreage next year. One authority states that more plowing will be done this year than ever before. Another authority states that the amount of Fall plowing already done ranges from 38% in North Dakota to 82% in Nebraska.

When The Public Bites

Scores of men who got the public's money in the old days of speculation in mining shares may be seen in all the resorts of lower New and Broad streets, says the *New York Sun*. From outward appearances they are prosperous beyond previous experience. The stocks they offer, the public was never more eager to buy. Their offices are crowded with customers. The mails and wires bring in orders constantly. Automobiles carry them uptown. In fact, they are so prosperous that they are beginning to fall out.

Has Cotton Cornered Itself?

Consumption Now at the Rate of Sixteen Million Bales Per Annum—Crop Prospects Around Twelve Million—Mid-dling Cotton \$95.00 Per Bale for July Delivery

By O. D. HAMMOND

WHEN the last issue of this magazine went to press just a fortnight ago, cotton had jumped to seventeen cents a pound. Since then it has sold well above nineteen cents a pound. Storms throughout the cotton belt and the approach of the usual date for killing frost have been factors in this rapid advance but only in a small degree. The main cause of this phenomenal advance to record breaking prices is to be found in the simple old time question of supply and demand.

The harvest now over 60% finished, is known to be small. How small the crop will ultimately be is of course not yet determined. It is pretty generally accepted, in view of the Government reports and private sources of information, that the crop excluding linters is anywhere from 11,000,000 to 12,500,000 bales, with the consensus of opinion fixed somewhere around the 11,500,000 or 11,750,000 mark.

The present rate of consumption from the Southern mills, Northern mills, Canadian mills and by exports is at the rate of about 16,000,000 bales per year.

The chief argument, unadorned by statistics, which has been the basis of the present high prices, is that we are eating up cotton at the rate of 16,000,000 bales per year and can't grow but 12,000,000 bales, so there will not be enough to go around. This familiar and often repeated argument is on its face indisputable. At the present ratio of sixteen consumed to twelve produced, next summer would see every spindle idle, every loom stopped, with a cotton famine similar to the famine of 1861-1865 when almost no cotton was grown at all on account of the Civil War. Under these conditions no one could tell what cotton would be worth. Twenty cents, twenty-five cents, thirty cents could readily be reached if actual famine should prevail instead of theoretical famine; for there would be no cotton

to be had at any price. There is but one answer to this argument and that is the world *cannot* consume more American cotton than America produces.

Already Europe is adopting means to cheapen the cost to her of her raw cotton. Freight rates, which, owing to a scarcity of bottoms, the necessity of using ships for transports, the danger of submarines and mines were as high as three dollars per hundred pounds or fifteen dollars per bale. These rates have been cut to one dollar per hundred pounds or five dollars a bale by the Allies. They have diverted ships from transport and army service to Galveston and other Southern ports in sufficient quantities to cheapen these abnormally high rates.

They have lowered their insurance rates by using their navy to protect cotton cargoes in the danger zone. War risk insurance rates on cotton from Galveston to Liverpool and Manchester for sailings during the next thirty days have virtually been cut in half. The rate for belligerent ships is now quoted at 1¼%, and on American ships at ¾ of 1%. The Havre rate applying on belligerent ships is 1½%, and on American ships ¾ of 1%.

Europe is buying cotton heavily today in the South at topmost prices, and her imports of cotton exceed at this time her takings for any similar period during recent years. This rate may not continue and in fact *cannot* continue, for the cotton will not exist under such heavy drains.

It seems to be a case with the Allied countries of buying early all they think they must have regardless of price. In former years Europe could afford to wait for suitable prices, but these are war times and her theory seems to be to buy at once and pay the price, but to take no chances of being crippled later by an insufficient supply. Thus the present rate

of foreign takings may not be maintained beyond the turn of the year. October exports of cotton may be at the expense of the usual January exports. The growth of the world's cotton industry of recent years has kept pace with the increased crop output and measured by the present crop has greatly outstripped it.

The present total of world's cotton spindles is 151,667,000, compared with 94,568,000 21 years ago. The greatest advance has been made in the United States. Since 1904 there has been an addition of more than 40,000,000 spindles throughout the world, and since 1895 about 57,000,000. There are now 6,513 cotton firms in all cotton spinning countries, 2,004 of these being in Great Britain. The number of cotton looms is estimated at 2,852,947.

The United States with a considerably smaller number of spindles uses nearly twice as many bales of raw cotton as England, and India, with only 6,849,000 spindles, consumes more than half the bales England disposes of with 60,000,000 spindles. The predominance of the ring frame in this country is held accountable to some extent for the apparently enormous consumption. The call in England seems to be for the better qualities of cotton and more time is devoted to the spinning of a given quantity so that higher counts may be obtained.

The Southern States have within the last fifteen years increased their spindles from almost nothing to a point where they consume more cotton than the Northern mills. Canadian mills have multiplied fast in recent years.

Some spindles must go hungry, some looms must be idle before another harvest is gathered. If nineteen cents does not starve them then a higher price will. One cannot help smiling when he recalls

the fact that two years ago the charity of the whole country was besought to keep cotton from rotting in the fields by a "Buy a Bale" movement and by ill advised legislation. Today the poor spinner cannot get it in sufficient quantities even at ninety-six dollars a bale. If the man who bought a bale for charity two years ago held it until this time his profit derived from his charity would be nearly 400%. One does not always have to wait till Judgment Day to receive the rewards of Charity.

The cotton market at these levels moves in wide sweeps. Under normal market conditions ten or fifteen points, move one way or another is considered a good day's movement. In the present market forty or sixty point sweeps are regarded as mere fluctuations. This is accounted for in the fact that there is, in spite of the huge daily business, but few (comparatively speaking) contracts in the market. Profits are taken quickly on the long side. The short contracts all represent hedges by middlemen who have sold short contracts to protect purchasers of actual cotton. There are practically no speculative short contracts in the ring. Each long speculator who sells to cash in his paper profits sells to a new long speculator, who simply steps into his shoes, or to some spinner or to some middleman in the actual cotton business who is undoing his hedges. These in and out scalping operations give the market great activity.

Floor brokers are doing a land office business. When the market reopened after the war was begun these brokers increased the commission charged for their services because there was not enough business to make a living at the old rate. Looking back for two years this is almost as amusing as was the cry of the cotton farmer for charitable aid.

BETTER THAN STANDARD OIL

The estate of Herman A. Frasch, president of the Union Sulphur Co., who died in 1914, has been reappraised for taxation, with the result that its value is now put at over \$10,000,000, or more than three times the first valuation. The chief change is in the price set on \$05 shares of Union Sulphur stock which formed a large part of the assets. The official appraiser now puts this stock at \$12,003 per share and claims that this is fully justified by the assets of the company and its present financial position. This is away ahead of any of the "war stocks."

How The Magazine of Wall Street Helped Me to Make Money

To the Editor of The Magazine of Wall Street:—

Prices seemed low to me on February 1, 1915. This country knew about what it had to expect from the European war and was beginning to make money. I had never tried buying and selling for a profit, but had always been content with the old-fashioned, put them away and forget them policy, owning outright high grade rails and industrials and thinking more of income than anything else. I was very conservative.

About a year ago last February I bought a complete set of your magazine—some eighteen volumes. I read these through at home nights and jotted down points which I thought I might adapt. The article which appealed most to me was, "A Successful Small Investor" which appeared in one of your 1913 issues. That writer seemed to be just the sort of a plugger that I was. But that chap went further, in that he went in and out of the market when he saw a chance; I never had. I thought I would try it.

For many years I had owned a certain stock purchased at 350, which showed a profit of about 50 points. I hated to sell, but let go 20 shares. With the proceeds, including the profit, on February 2, 1915, I bought 6 shares of Southern Pacific at 85 $\frac{3}{8}$, 7 shares of General Electric at 141 $\frac{5}{8}$ and 10 shares each of Union Pacific at 120 $\frac{1}{4}$, National Biscuit pfd. at 126 $\frac{1}{8}$, Atchison at 95, Norfolk & Western at 102 $\frac{7}{8}$, Leather pfd. at 103 and Tobacco pfd. at 107. Here were 73 shares in eight different companies, an average investment of \$1,000 in each company, four rails and four industrials, some preferred and some common, and all having a strong margin of safety and yielding a good net.

On March 2, 1915 I picked up 7 United Fruit at 110; a month later I sold them at 125, 15 points up and \$105 gross profit. This pleased me. In April, 1915, I sold my 7 shares General Electric at 150 $\frac{7}{8}$, up 9 $\frac{1}{4}$ points; my 6 shares Southern Pacific at 92, up 6 $\frac{3}{8}$ points; and I made gross \$120 and \$80 on my Union Pacific and Atchison respectively. My total gross profit for 60 days on a capital of \$8,000 was \$409.51, which was traveling at the rate of 30% a year.

To keep from getting a swelled head, I put part of the profits into a \$3,000 first mortgage at 5 $\frac{1}{2}$ %.

In July, 1915, Big Four General 4s looked cheap. I bought \$2,000 at 68 and sold them in October at 72. I bought 10 shares Northern Pacific at 104 $\frac{1}{2}$ and sold them in October at 114 $\frac{7}{8}$.

Having in August 1912, when everything was sky high, paid 111 $\frac{7}{8}$ for 10 shares of St. Paul, I bought 10 shares more in July, 1915, at 83 $\frac{3}{4}$, thus averaging my 20 shares at 97 $\frac{1}{2}$. These I still hold; they are good, I think, for 130 in two years. In the same way I averaged Great Northern, making 20 shares cost 123 as against my original 10 shares that cost 135 $\frac{1}{2}$ in August, 1912.

In July, 1915, I was undecided whether there would be a rise or a break. To play it safe I put \$6,700 in C. B. & Q. Joint 4s at 95 $\frac{5}{8}$, Lake Shore Debentures, 1928, at 90 $\frac{1}{4}$ and Pennsylvania 4 $\frac{1}{2}$ s at 100 $\frac{1}{8}$. These would stay on an even keel. If prices rose I could get aboard at a moment's notice. In September I added to my list by re-purchasing \$2,000 Big Fours at 72 with the proceeds from the sale of 10 shares Norfolk & Western which brought 109 $\frac{7}{8}$, a profit of 7 points on a hold of seven months.

By this time (July, 1915) I had a profit of \$649.51. I did nothing in August. In your September issue you had an article on convertible bonds. I studied it carefully. I then spent at least ten evenings at home working out by compari-

son, etc., my selection. I was satisfied from this study that your advice was good. I did not want to disturb my bonds and preferred stocks which I owned outright. I had never done any margin work. Although I had studied the market as an amateur for sixteen years, I had always thought that the man who took a chance of that kind was bound to lose out. I claim no special credit for this because I never had the capital with which to margin and so was never tempted. However, I paid \$2,000 down for \$18,000 of convertibles which I thought would move. Within sixty days, when I felt things going stale, I was out of all these convertibles at a net profit of \$872.26 on a \$2,000 purchase, at the rate of about 500% a year. This was quite up to what our friend 520% Miller claimed he could do.

Interest returns and charges nearly canceled each other, as my loan was at 5% and I had quite a few 5s on my list.

My success in convertibles on margin led me to study the cheaper bonds. The market was evidently to go up. I bought outright a few convertibles and some generals. I closed out my C., B. & Q., Lake Shore and Pennsylvania Co. bonds at a total profit of \$105 and bought in their place \$2,000 each of Chesapeake & Ohio convertible 4½s at 80½, which I sold last March at 87; \$2,000 Rock Island refunding 4s at 65, which I let go in two weeks at a loss of \$5; \$2,000 Erie A's at 65¾, on which I made in 15 days \$105; \$2,000 Southern Railway General 4s at 67, on which I made \$17.50 in 15 days; and \$2,000 Chicago & Great Western 4s at 70, which I did not like and sold on August 26 at a loss of \$10.

I was now \$2,160 ahead of the game. My total losses were \$17.50. I believe that at no time was I in any danger. Everything I bought had a market and practically when bought was at the lowest price in its history.

On October 20, 1915, I got careless. Up to that time I had made a separate study of each transaction before making a purchase, no matter what advice any one had given me. I owned 10 shares of Tobacco pfd. Going off half cocked, I switched into Tobacco common at 230⅞. I still have it, but it nets me nearly 9% income, which I believe is safe.

Late in October I bought \$2,000 Delaware & Hudson convertible 5s at 104⅞ and had to carry them four months to make \$35. I had better luck with \$2,000 Baltimore & Ohio 4½s at 93 which I sold at \$80 profit in 60 days. These were small profits, but they were sure and were based on the "Successful Small Investor" method. I had 100 share lot friends, a number of whom fell down badly because they never figured out the cost of going in and out, of not emphasizing income, but of trying to make a killing. It seems to me that the busy bee plugger wins out because he is not above taking a \$35 to \$50 profit, letting the market pay the broker.

I knew you were keen for the chain stores. I went over this field very carefully and decided that Sears Roebuck stood the acid test better than the others and that November was a good time to buy. I went in strong (for a small investor) for 23 shares at 157⅞. I have a paper profit of 30 points and have marked same for sale at 200, allowing for the market to pay my brokerage.

I fell down in December, 1915. The tipster joke is older perhaps than the mother-in-law wheeze. I had never taken a tip in my life. When a friend, an officer of a company, tipped me off, quite against my judgment but with the idea of seeing whether I might not beat out the old rule, I took on a few shares. They had the reverse English spin to them, however. I still hold them, but hope to deliver them before the end of the year. My experience in this quarter makes me wonder how men can be such asses as to come down into Wall Street and buy 100 share lots on tips.

A So Far Successful Small Investor.

[At the writer's request we refrain from printing his name.—Editor.]

Book Reviews

These books are for sale by THE MAGAZINE OF WALL STREET. Prompt attention will be accorded all orders.

POOR'S MANUAL OF INDUSTRIALS FOR 1916

For Sale by The Magazine of Wall Street.
(Price, \$10.00.)

POOR'S Manual of Industrials for 1916, which has just been issued, contains 3,112 pages of text, or nearly 10 per cent. more pages than the previous issue. It is the largest work of the kind published on the Industrials.

The book contains the latest income accounts and balance sheets of industrial companies. These tables are in most cases presented in comparative form, showing at a glance the growth of the business. The general information in the book is revised to August 15. It also contains an appendix giving recent information on the steam railroads and the public utilities.

In view of the fact that the industrial organizations had a phenomenal volume of business during the past year, profits having broken all previous records, Poor's Manual of Industrials is particularly valuable at this time. It gives the investor the facts regarding these companies without bias or opinion. The book is invaluable to the investor or broker interested in industrial securities.

OTHER PEOPLE'S MONEY AND HOW THE BANKERS USE IT

By Louis D. Brandeis. For sale by The Magazine of Wall Street. (Price, \$1.10 postpaid.)

WALL Street fairly howls at the mere mention of Mr. Brandeis' name, the virulent Trust-Buster, who denounced the New Haven financing, fought the Equitable Life, furnished the Interstate Commerce Commission with most of the arguments against the raising of railroad rates, and crowned his crusading, fighting, trust-busting career by his bitter prosecution of the "Money Trust."

And yet, no more brilliant picture of the genius that inspired the great organizers of capital in our age of co-operation and combination was ever written than by the very pen of their arch-enemy, Mr. Brandeis.

It is a giant fighting giants with their own weapons. Both he and they are men of the same fiber, men of powerful imagination, with, at the same time, a grasp of the concrete, practical side of affairs—Both he and they were born leaders of the masses by their faculty of sizing up the direction and intensity of the great social movements that mark an epoch, and leading them.

Hence the fascination of this little book, the title of which is, in itself, a challenge to the Great Banking Powers to come down in the arena and have it out with him, the single-handed lawyer, self-appointed champion of the

"little fellow": the minority stockholder, the helpless Wall Street Lamb, the simple-minded, trusting Savings-Bank depositor.

As to the merits of the case, I doubt if the "Money Trust" ever existed, except possibly as the dream of some ambitious Banker with Napoleonic imagination and also—how vividly—in the masterly descriptions to which Mr. Brandeis has treated us, as be-hooved the great orator and lawyer that he is.

A certain concentration of banking resources was in many ways necessary in the United States. The men who brought it about used the best means they had. They were not infallible and sometimes made mistakes; they were human, too, and could not help, at times, being carried away by their own success, their imagination, their hopes, and their power. Right in principle, they, at times, went too far and therein lies the justification for some of Mr. Brandeis' virulent attacks. He called a halt to what threatened to be a danger to the community at large and to the Bankers themselves.

But—whatever one may think of the case itself—this little book reads like a philippic, reminding us of the great oratorical debates and impassioned harangues of a Demosthenes or a Cicero.

THE CAREFUL INVESTOR

By Edward Sherwood Mead. (Price, \$1.60 postpaid.) For sale by The Magazine of Wall Street.

SAFETY first, last and all the time may be said to be Mr. Mead's motto. Common stocks are barred at the outset, Preferred Stocks are barely tolerated, Bonds alone are really considered, and with what care, what precautions, restrictions and limitations: Every kind of bonds, from the best grade of Municipals to the high-yield Industrials, is carefully scrutinized, analyzed, dissected, to avoid the least bit of a flaw and remove even the slightest possibility of loss.

I doubt if anyone will ever grow rich by the methods suggested in Mr. Mead's book, but I am most positive that, except for a simultaneous combination of earthquakes, wars, revolutions and social upheavals, no one will ever lose his capital who follows the ultra-conservative rules laid down by "The Careful Investor."

Few men of affairs would probably care to invest the whole of their fortune that way, but even they ought to secure, through this impregnable method, a part at least of their capital—possibly a third or a quarter.

As for Estates, widows, and men with little experience in money matters, they should never depart from the precepts of "The Careful Investor." Their capital, invested in that way, will not bring them more than 4 per cent. or

5 per cent. but they will be sure to keep it intact, as long as they live. This is much more than the speculator or the semi-speculator could say. When a man takes chances with his money, the chances may, and often will, take his money away from him.

VOCATIONAL PSYCHOLOGY

By Harry L. Hollingworth. (Price, \$2.20 postpaid.) For sale by The Magazine of Wall Street.

ONE striking feature of Professor Hollingworth's remarkable treatise is the fact that this is the first really scientific work on the subject.

For centuries philosophers have studied and described man either as a physical or a spiritual being, more lately as the component part of the group, the social aggregate.

On the other hand, the Economists have been investigating the sources, the nature and the development of wealth, that is of all that is necessary to the physical sustenance and enjoyment of man.

But neither the ones nor the others ever gave much thought to "man as an economic unit."

Strange oversight, it seems, when it is quite evident, that, from an economic standpoint, the real basic source of production and wealth of any kind is man himself. The opening and development of scientific research on this subject was fitly reserved for our age of "Efficiency."

The elimination of waste in the "human material" is the object of this line of endeavor. To the large employer of men, the captain of industry with his armies of subordinate workers, a study of this kind is vastly more important than any other consideration whatsoever. It means more to him to get 100 per cent. efficiency out of his "man power" than out his plants and his machines.

Mr. Hollingworth has laid the foundations and outlined the method of a new branch of Economics which some day will rank first, not only for the scientist but also for the practical man of affairs who wants the maximum of results with the minimum of effort, friction and waste.

THE BOOK OF THRIFT

By T. D. MacGregor. (Price, \$1.10 postpaid.) For sale by The Magazine of Wall Street.

I BELIEVE it was Herbert Spencer who said that civilization began when the cave men put away some of their game for the day when they would return from their wild hunts empty-handed.

The story of thrift is indeed the story of man himself, as he emerges from the ranks of the improvident animals through his foresight, and, to a large extent, saving may be said to be the measure of a man's progress.

Hence the interest and usefulness of this

"Book of Thrift" of Mr. MacGregor, the most marvelous Encyclopedia on the subject I have ever seen. There is not a phase of the whole problem that he has not touched, explained, and masterly solved.

The Book is relentless in its logic and makes you feel that he who does not save, especially at this time, is either a criminal or a fool and probably both.

It is addressed to Americans, the "most reckless spenders of the world," at a time when millions in Europe, Asia, Africa are facing absolute starvation, and the intensity of the plea, in the light of this tragic lesson, is really pathetic.

Fathers and Mothers of America, let your children read this book—not only read it but absorb it. If they do not learn how to save now they never will, and sooner or later will become a burden to you first and then to the community, crushed as they will be by the inexorable competition of our industrial age, which has no place for the spendthrift.

All those, also, who, through their profession, are vitally interested in the subject of savings, such as Bankers, Educators, Writers of Financial Advertisements will find in this work an inexhaustible mine of information on the subject: lessons, examples, precepts, maxima, arguments, suggestions of all kinds, which will greatly help them in their task of education along the lines of Thrift.

HOW TO DEAL WITH HUMAN NATURE IN BUSINESS

By Sherwin Cody. (Price, \$2.20 postpaid.) For sale by The Magazine of Wall Street.

ONE of the most fascinating legends of Ancient Greece is that of the Titan Prometheus, who stole from the Gods the heavenly fire and gave it to men, for which crime Zeus had him bound to a rock, where the wild birds of prey would come and feed upon his heart.

As I go through Mr. Cody's book, I feel, somehow, that he also should be tied to a rock, like Prometheus, for stealing the fire, not from the Gods—for the Gods are dead—but from the lofty realms of Metaphysics, Psychology, Sociology, Logic, and handing it over to all those who want to sell us goods, so they can melt our hearts and empty our pocketbooks.

Mr. Cody dissects the human mind into its component parts, according to the latest discoveries of philosophy and science, and treating it like a chemical substance, finds out how, when, and why it will react under the stimulus of this or that impression, suggestion, command.

He then follows this line of analytical study into the most minute details of the selling and advertising process, until he tells the business man, in the light of this scientific knowledge, how to write a business letter, collect an account, or sell a cake of soap.

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SPECIAL FEATURES to appear in early issues

FACTORS AGAINST A PEACE BOOM. By Frank E. Seidman, M.C.S., C.P.A. What will happen when the war is over? There is no more pertinent nor vital question before this country today. Will there be a "peace boom" or the reverse? Mr. Seidman believes that the end of the war will not be followed by unusual boom times, but—read his article and learn for yourself what he believes from a careful study of the situation.

THE PAPER FAMINE AND THE PAPER STOCKS. By Ernest P. Williams. The tremendous rise in prices for print paper has filled the columns of the news publications. Are we on the verge of a paper famine in this country or will the situation improve? Mr. Williams' expert analysis of the unusual situation and the effects of high prices on the earnings of the paper companies, contains many a hint for the far-sighted investor.

SPECULATIVE DELUSIONS, OR CHARACTERISTICS OF MARKET FLUCTUATIONS, by Francis A. Hoffman. A study dealing with the mechanical percentage for or against a trader when he undertakes a given market position, including a method for profitable trading. One of the "traders" articles of the sort which appear exclusively in the pages of this publication.

EUROPE'S FINANCIAL WAR BURDEN. By Siegfried Strauss. The total cost of the great war and how this enormous expense has been financed. He concludes, "A very much longer duration of the war will seriously threaten the stability of Europe's financial structure." Everyone interested in finance should read this important discussion of an important topic.

ANOTHER TALK BY "OLD TRADER." By "B." Mr. "B" has completed another installment of his series of "Talks" which are occasioning such widespread favorable comment. They are of interest to the investor as well as the speculator as they are packed with meaty, financial common-sense.

HOW TO CHOOSE A BOND (Concluded), The Machinery of Wall Street, Scientific Speculation are some of the many special features which will appear in early issues.

Other timely and profit-making articles in preparation

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